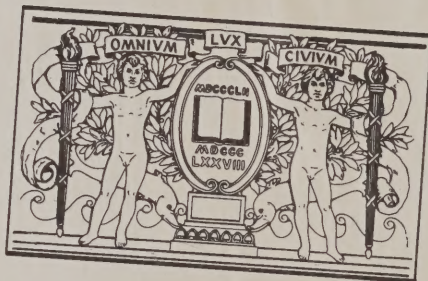


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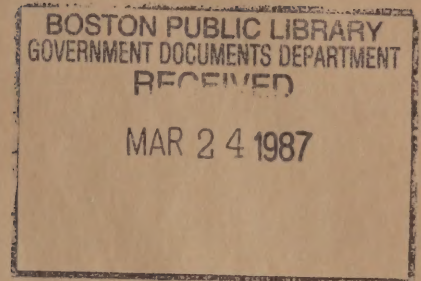
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DOWNTOWN DEVELOPMENT POLICY PROJECT

PRELIMINARY EXAMINATION OF THE RETAIL SECTOR

DRAFT

Lana Choy
January 1981

BOSTON REDEVELOPMENT AUTHORITY

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TABLE OF CONTENTS

- I. INTRODUCTION
- II. DEFINITION OF TERMS
- III. GENERAL FINDINGS
 - A. Boston
 - B. National Outlook
- IV. POLICY IMPLICATIONS
- V. AVENUES FOR FURTHER INQUIRY

I. INTRODUCTION

The data upon which this report is based is from the annual publication of the Sales and Marketing Management Survey of Buying Power (SMM) from 1961 to 1980. The following years were studied: 1960, 1965, 1970, 1975, 1976, 1977, 1978 and 1979.

This report is designed as a "first cut" towards examining, understanding and planning for Boston's retail sector. Various income, population, and retail market strength and performance measures were examined.

Statistics were aggregated and compared on two levels: the local and the national. At the local level, demographics and sales performance were compared between the City of Boston and its respective Standard Metropolitan Statistical Area (SMSA). Statistics were also gathered for Boston and five other major industrial cities to provide a national perspective (at both the city and SMSA level). These cities were: Boston, Philadelphia, Pittsburgh, Baltimore, New Orleans and San Francisco.

II. DEFINITION OF TERMS

The variables examined are explained below:

Buying Power Index (BPI)

A weighted index that converts three basic elements -- population, effective buying income, and retail sales -- into a measurement of a market's ability to buy, and expresses it as a percentage of the U.S./Canada potential. It is calculated by giving a weight of five to the market's percent of the U.S./Canada Effective Buying Income, three to its percent of U.S./Canada retail sales, and two to its percent of U.S./Canada population. The total of those weighted percents is then divided by ten to arrive at the BPI. (It is most useful in estimating the potential for mass products sold at popular prices. The further a product is removed from the mass market, the greater is the need for a BPI modified by more discriminating factors -- income, class, sex, etc.)

Effective Buying Income (EBI)

Personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income, proprietors' income, rental income, dividends paid by corporations, personal interest income from all sources, and transfer payments. Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties), and personal contributions for social insurance. The EBI is also commonly known as "disposable personal income". It is a bulk measurement of market potential and indicates the general ability to buy.

Household

All people occupying a single housing unit under census rules, such as a house, an apartment, a group of rooms, or a single room. The members of a household need not be related and a single person living alone in a housing unit is also counted as a household.

Population

Headcount estimate of all the people living in an area at the end of the year. It includes people living in group quarters such as colleges and hospitals, and armed forces permanently assigned to the area, but excludes tourists and transients.

Retail Sales

All net sales (minus refunds and allowances for returns) of establishments engaged primarily in retail trade. Sales taxes collected from the customer and receipts from repairs and other services are also included. Retail sales by such non-retailers as wholesalers and service establishments are not counted.

Retail Sales by Store Group

Cumulative sales of all products and/or services handled by the store and not just the type of product associated with the store type.

1. Food Stores: establishments selling food primarily for home consumption.
2. Automotive Dealers: included are retail outlets for cars and automotive dealers (such as tire, battery and accessory dealers and auto and home supply stores). Also included are motorhome, household trailer and boat dealers.
3. General Merchandise Stores: includes department stores, limited-price variety stores, general merchandise stores and general stores.
4. Eating and Drinking Places: includes establishments selling prepared food and drinks for consumption on or near the premises or for takeout, as well as lunch counters and refreshment stands selling prepared food and drinks for immediate consumption.
5. Furniture Stores: combines several groups -- (1) furniture-home furnishings stores, (2) household appliance stores, and (3) radio and TV stores, record shops and musical instrument stores.
6. Drug Stores: includes both drug stores and proprietary stores.
7. Apparel: establishments engaged primarily in selling new clothing and related articles. Apparel and accessories sales made in department and general merchandise stores are not included.

III. GENERAL FINDINGS

A. Boston

- The statistics indicate that the number of households, total EBI and total retail sales have been increasing steadily since 1960 in the City of Boston (see Appendix A). However, the City is also steadily losing population and buying power.
- The same trends hold true for Boston's surrounding SMSA. Furthermore, the changes are much more pronounced than in the City, thus widening the "gap" between the cities and suburbs.
- Retail sales from food stores, automotive dealers, and general merchandise stores appropriate more than 50% of all sales from retail establishments. Sales in the remaining categories each consist of less than 10% of total retail sales (eating and drinking establishments, furniture, drug, apparel).
- Sales trends in the various retail categories are mixed (see Table 1). For the most part, however, consumer spending has been increasing. Major changes in overall sales trends occur after 1977 or 1978.
- Superior buying power and performance of the suburbs is clearly evidenced in all of the retail categories, with the exception of eating/drinking establishments and drug stores.

B. National Outlook

As in Boston, the number of households, total EBI, and total retail sales in the other cities/SMSAs surveyed are steadily increasing. Similarly, buying power and population are both steadily decreasing (see Appendix B).

Below is a table showing Boston's relative position in various categories in 1960 and 1979. (Note: A "1" indicates the first and highest place out of 6.)

	<u>Boston vs. 5 Cities</u>		<u>Boston vs. 5 SMSAs</u>	
	<u>1960</u>	<u>1979</u>	<u>1960</u>	<u>1979</u>
Buying Power Index	4	5	2	2
Total Effective Buying Income	4	5	2	3
Total Population	4	4	2	2
Total Number of Households	4	4	2	2
Total Retail Sales (TRS)	2	5	2	3
TRS Per Person	1	4	2	5
TRS Per Household	1	4	1	5
TRS in Categories:				
-- Food	1	6	1	4
-- Automotive	2	6	2	5
-- General Merchandise	1	2	1	5
-- Eating/Drinking	1	2	3	3
-- Furniture	1	6	4	6
-- Drug	1	2	3	4
-- Apparel	-	-	1	2

T A B L E 1

VARIABLE	MARKET TRENDS						PERCENT OF RETAIL SALES			
	BOSTON			NATIONALLY			1960		1979	
	CITY	SHSA		CITY	SHSA		CITY	SHSA	CITY	SHSA
1. Total retail sales	↑ slowly	↑ rapidly		↑ slowly	↑ rapidly					
2. Total sales per person	↓ rapidly since '78 (↑ rapidly before '78)	↑ slowly since '78 (↑ rapidly before '78)		↑ rapidly	↑ rapidly					
3. Total sales per household	↓ rapidly since '78 (↑ rapidly before '78)	↓ moderately since '78 (↑ rapidly before '78)		↑ rapidly	↑ rapidly		100	100	100	100
Retail Categories:										
a. Food Stores	↑ moderately since '65	↓ rapidly since '78 (↑ rapidly before '78)		↑ moderately	↑ rapidly		21	25	21	22
b. Automotive Outlets	↓ rapidly (highly variable)	↓ rapidly since '78 (↑ rapidly before '78)		↑ moderately	↑ rapidly		12	15	14	16
c. General Merchandise	↓ rapidly (variable, but ↓ overall)	↑ moderately		↓ moderately	↑ moderately		23	18	12	13
d. Eating/Drinking Places	↑ moderately	↑ moderately		↑ moderately/ rapidly	↑ moderately		11	10	13	9
e. Furniture Stores	↓ rapidly since '78 (↑ slowly before '78)	↓ rapidly since '78 (↑ slowly before '78)		↑ slowly	↑ slowly		6	5	4	5
f. Drug Stores	↑ rapidly since '78 (stable before '78)	↑ rapidly since '78 (stable before '78)		↑ slowly	↑ slowly		4	4	4	3
g. Apparel Stores	---	↑ rapidly since '78 (↑ moderately before '78)		---	↑ slowly/ moderately		---	8	---	5
h. Other							23	15	32	27

- Statistics indicate that Boston's trends do not differ substantially from that of the nation's other major industrial cities:

Combined sales from food stores, automotive dealers and general merchandise stores constitute over 50% of all retail sales. The other categories each capture less than 10% of the retail market.

Sales trends in the various categories are mixed; consumer spending seems to be increasing, but 1978 again appears to be a pivotal year.

Buying power and sales performance are again superior in the suburbs, with the exception of eating/drinking establishments and drug stores.

- It is interesting to note that although the City of Boston had a relatively low BPI in 1960 (4th), it managed to be either first or second in retail sales (aggregate and per household sales). By 1978, however, its sales had dropped considerably (5th and 6th place).

On the other hand, the cities of New Orleans and Pittsburgh seem to be able to maintain a strong retail market regardless of their low BPI and low total EBI.

Despite a high BPI, Philadelphia does rather poorly in retail sales.

- Also, Boston's SMSA has not been able to maintain its retail sales position relative to the other five SMSAs, despite a strong BPI.

Baltimore and New Orleans have been able to garner "more than their share" of retail sales per household, despite a low BPI.

On the other hand, Philadelphia does poorly, despite a high BPI.

IV. POLICY IMPLICATIONS

Due to the limited information available at this point, it is virtually impossible to predict consumer and business behavior in Boston's retail sector. Suggestions for further data collection are included in the next section. However, when we do approach the predicting and policy development stage, we must be careful to balance certain important factors. These may include:

- Possibility and level of market saturation.
- Diversification of economic base (gross tax revenues and agglomeration economies).
- Diversification of employment base (numbers and types of jobs).
- Future growth potential (absolute and relative to other ventures).
- Needs versus desires of the population.
- Public infrastructure costs.
- "Human" costs.
- Possibility versus desirability of various courses of action.

V. AVENUES FOR FURTHER INQUIRY

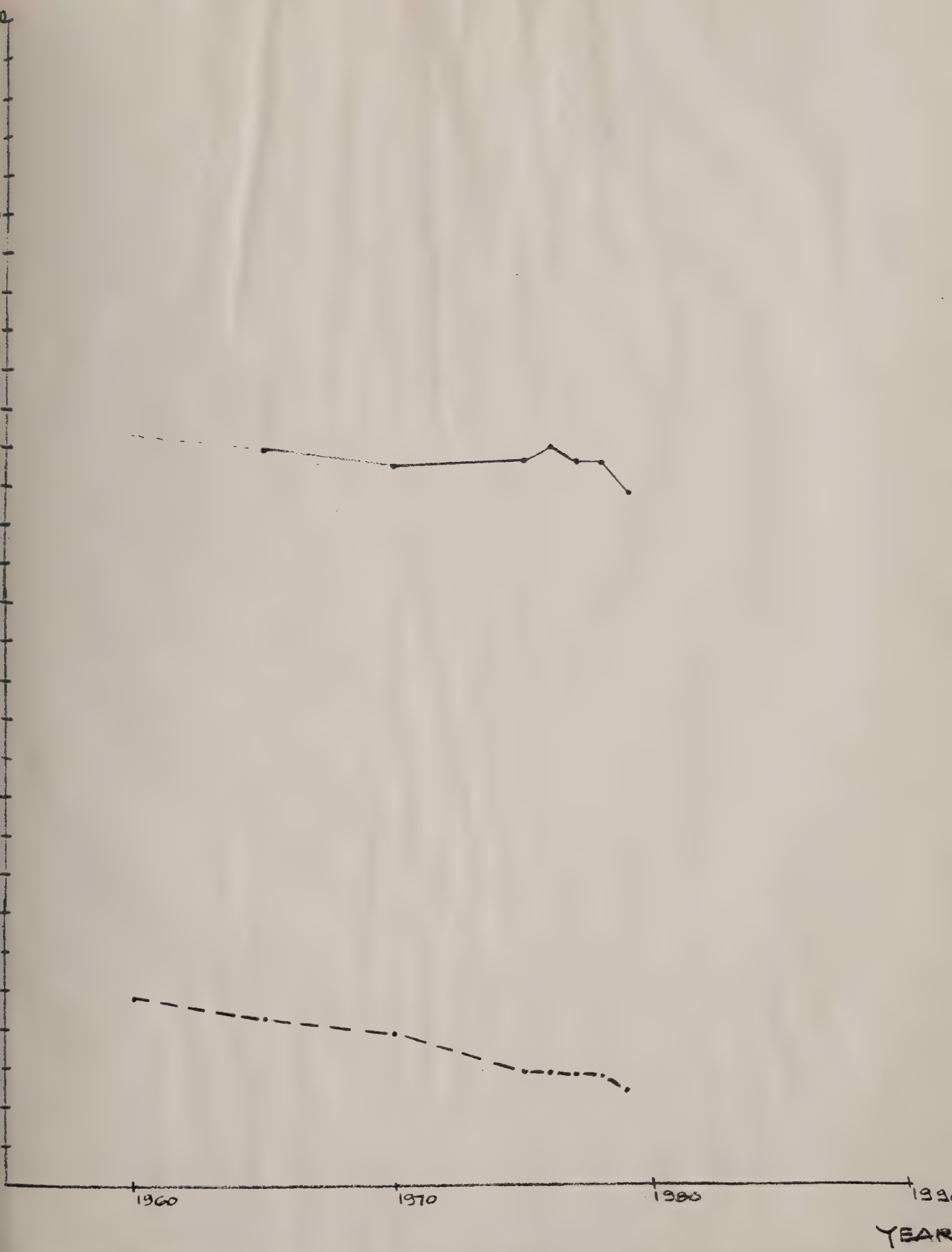
Here are some suggestions for variables to be considered for future data collection:

- Finer level of disaggregation (to include the Central Business District).
- Linkage between residents and ultimate sales generation.
- Index to inflation.
- Measures to include:
 - employment in retail sector
 - "market area" sales generation
 - transportation networks
 - concentration and character of existing retail establishments, hotels, convention places, population and housing
 - costs and returns (per square foot) of operating/maintaining a retail establishment

APPENDIX A

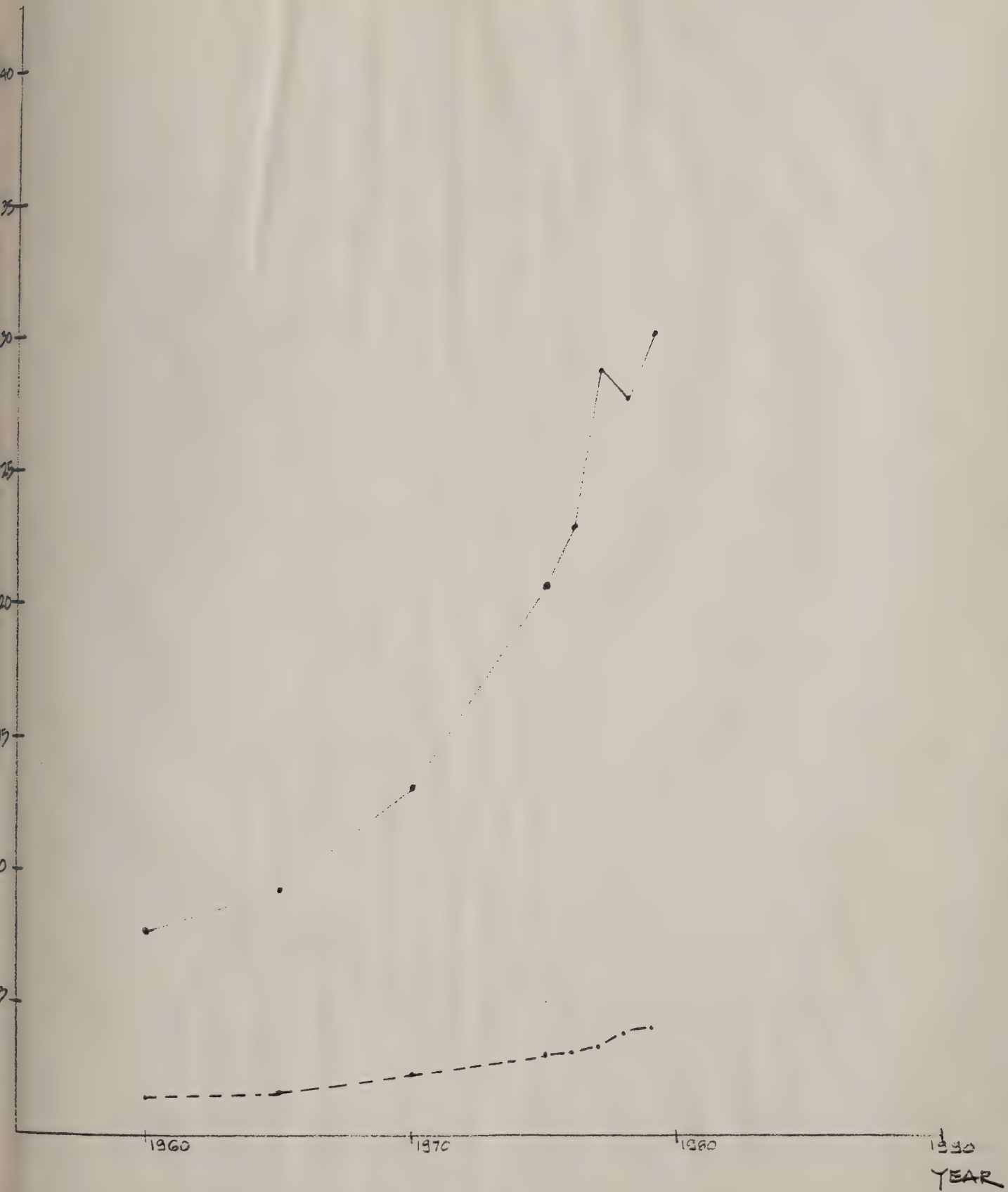


--- Boston - City



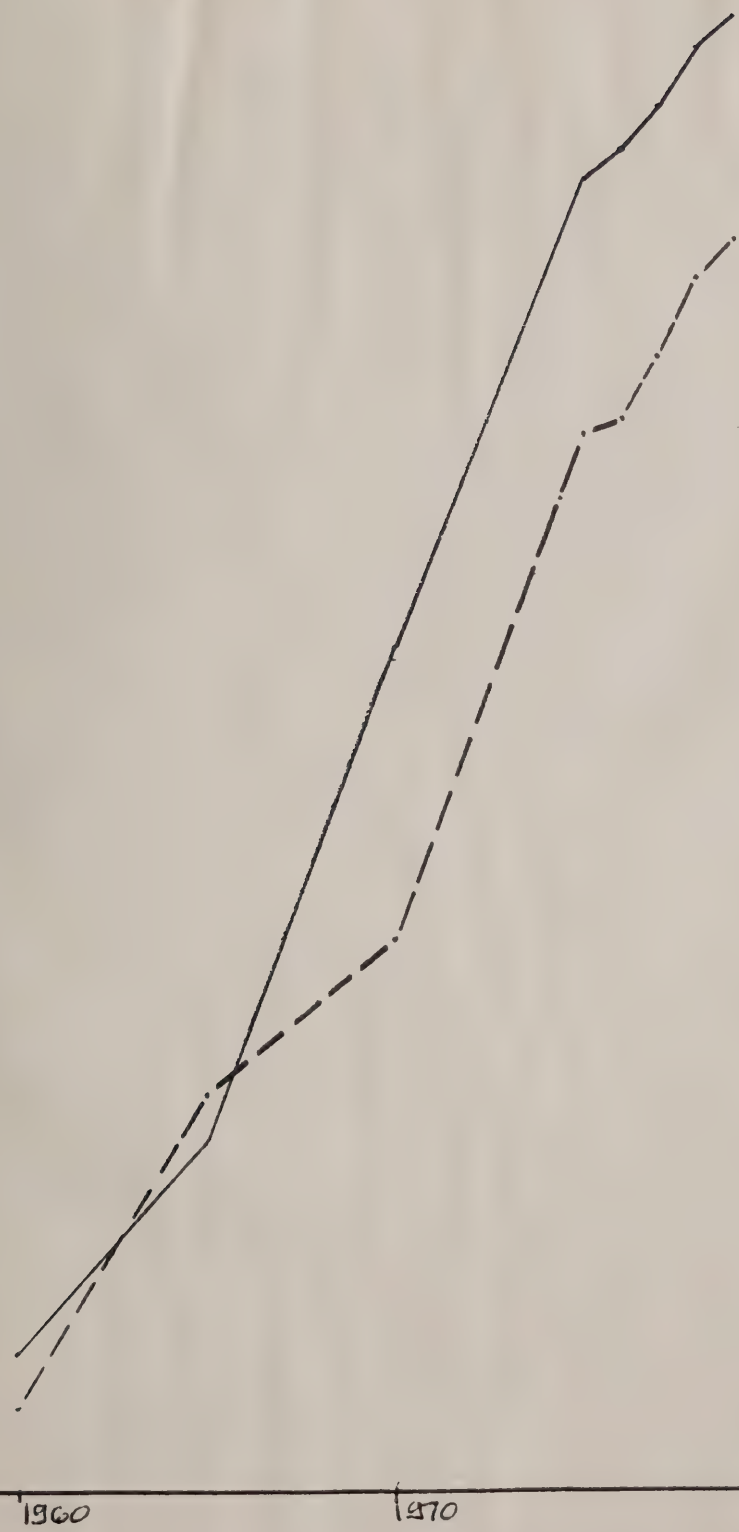
TOTAL EFFECTIVE BUYING INCOME

— Boston - SMSA
-- Boston - City



% OF HOUSEHOLDS MAKING OVER \$10,000 / YEAR (EBI)

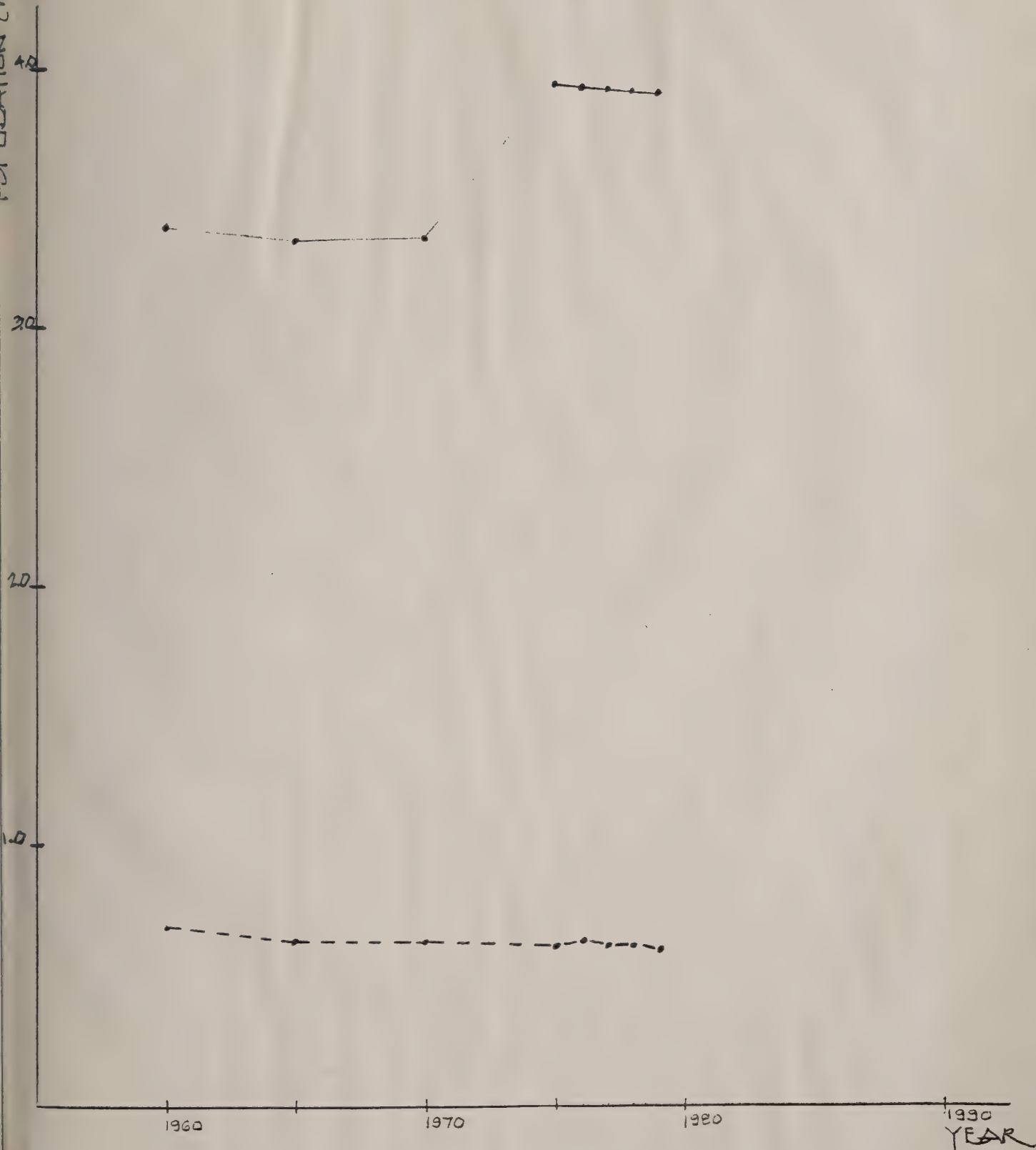
— Boston - SNIS
-- Boston - City



TOTAL POPULATION

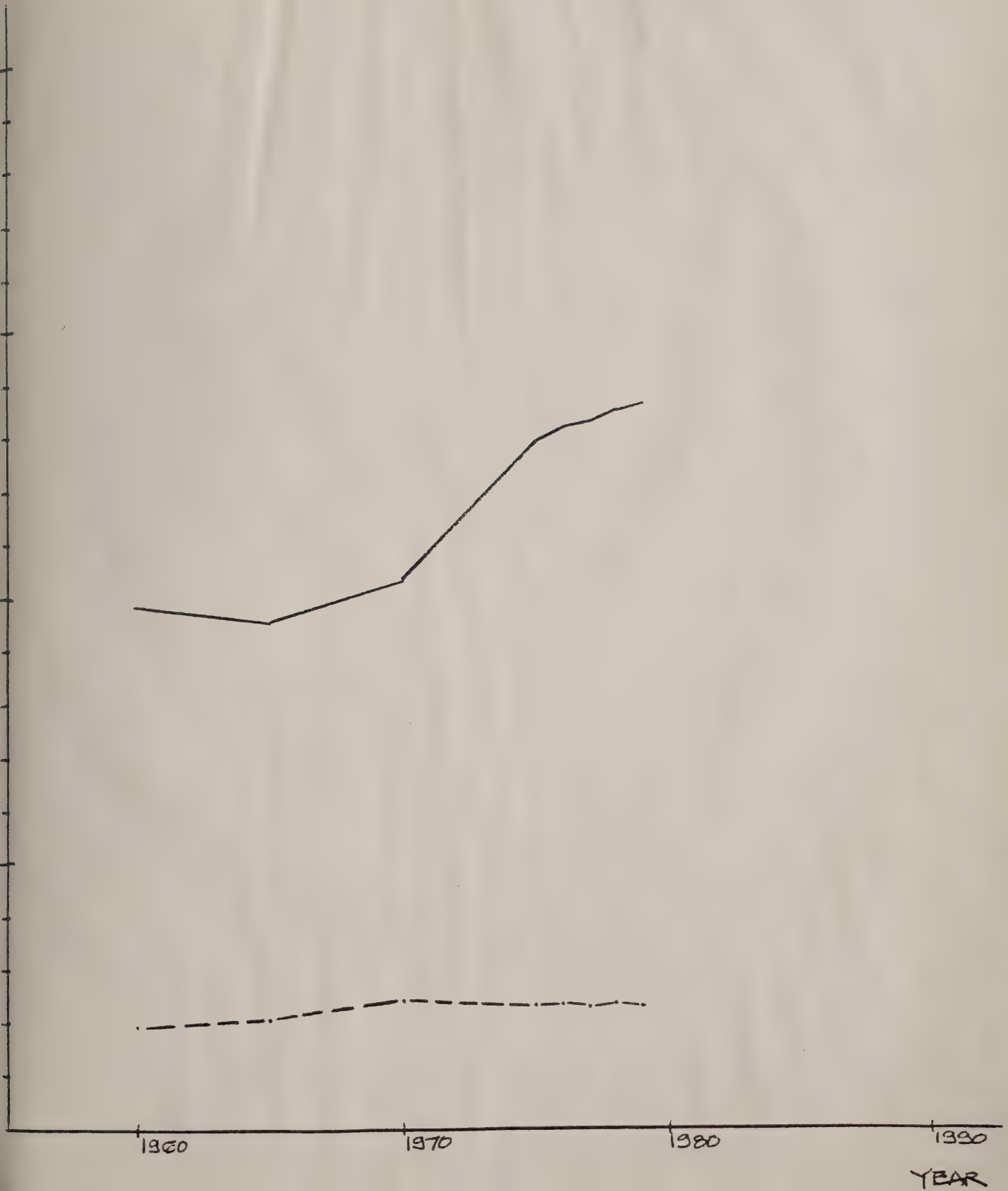
— Boston - SMSA
- - Boston - City

POPULATION (millions)



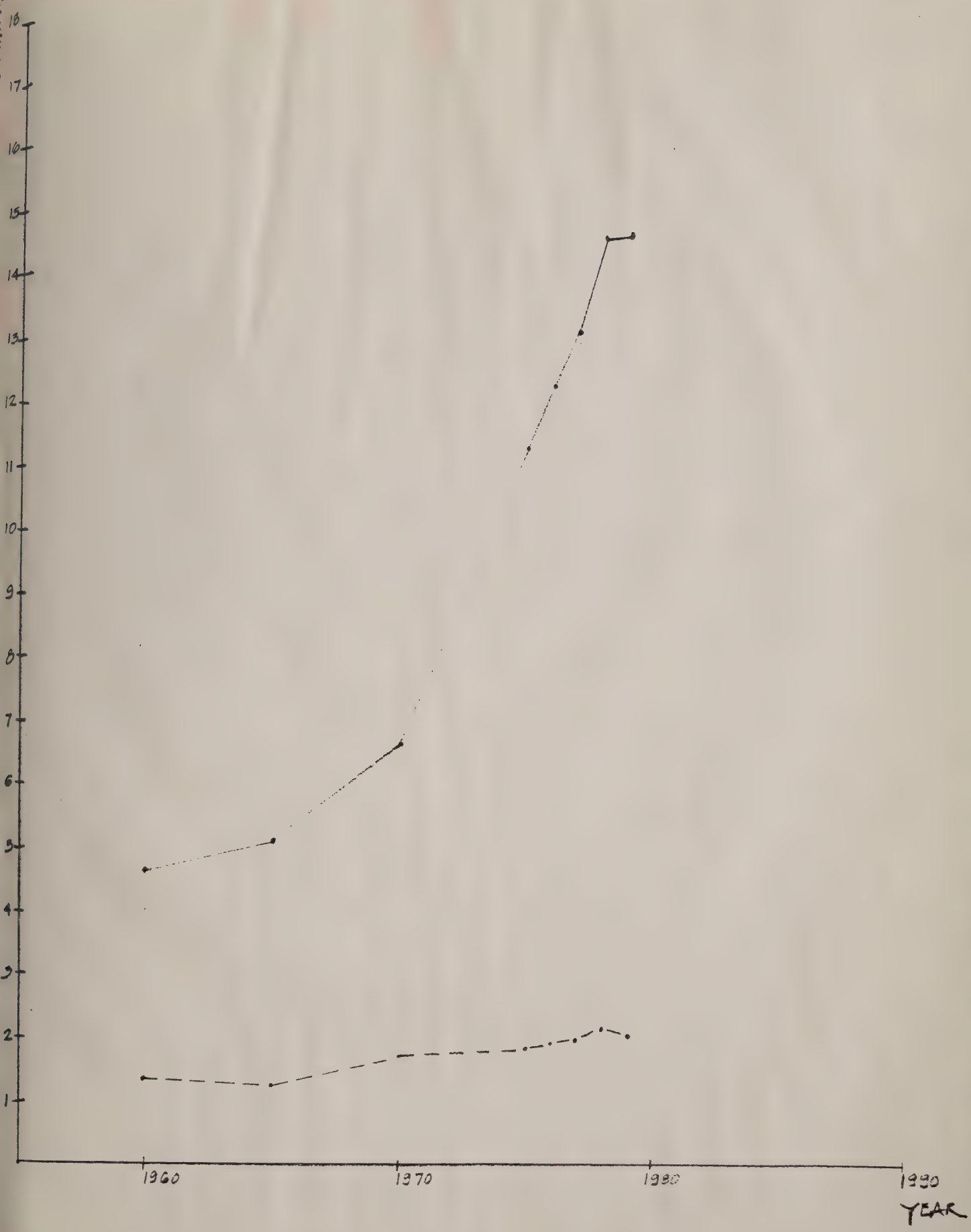
NUMBER OF HOUSEHOLDS

— Boston - SMSA
-- Boston - City



1960-1970-1980-1990

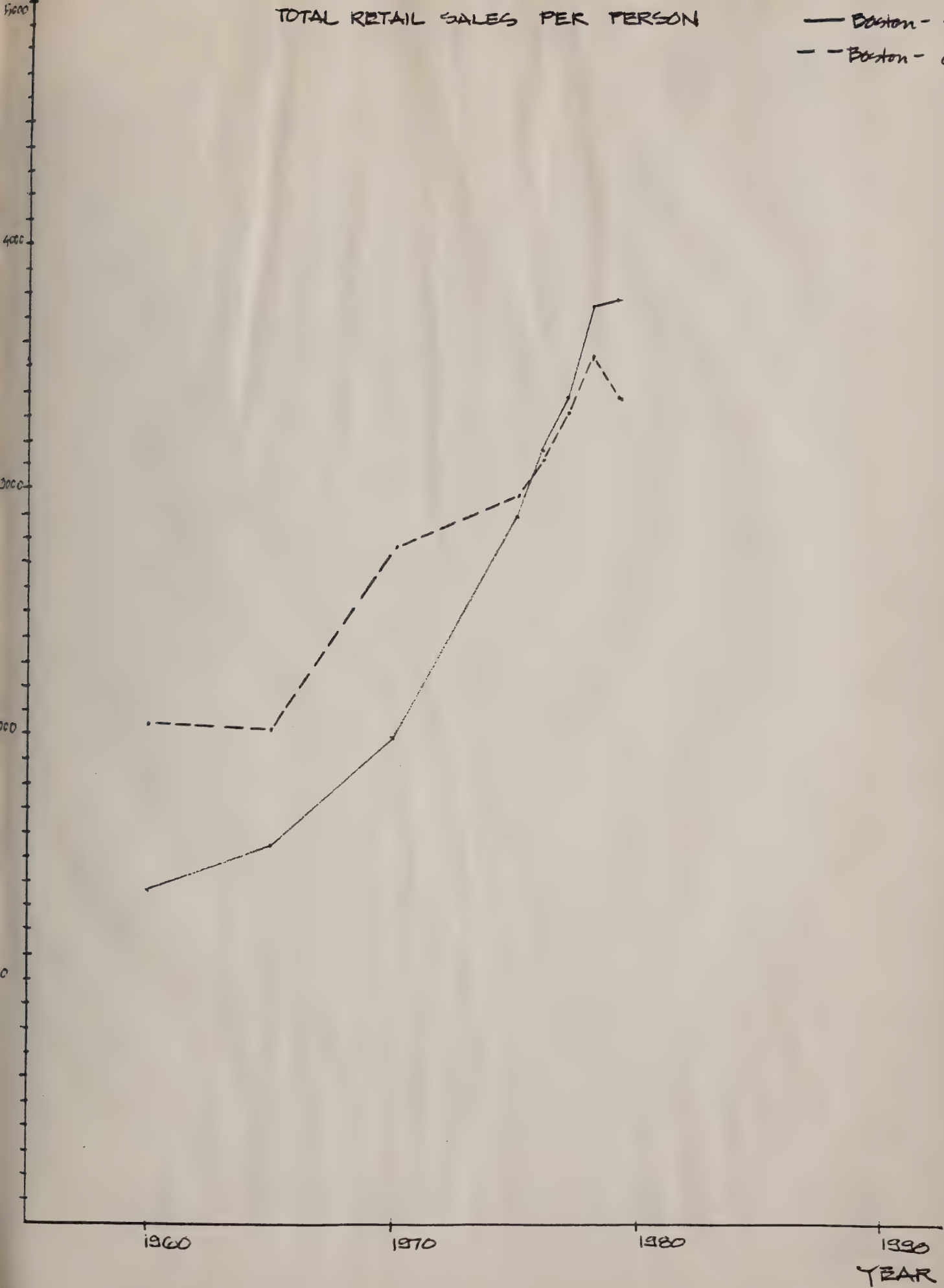
— Boston - SMSA
-- Boston - City



TOTAL RETAIL SALES PER PERSON

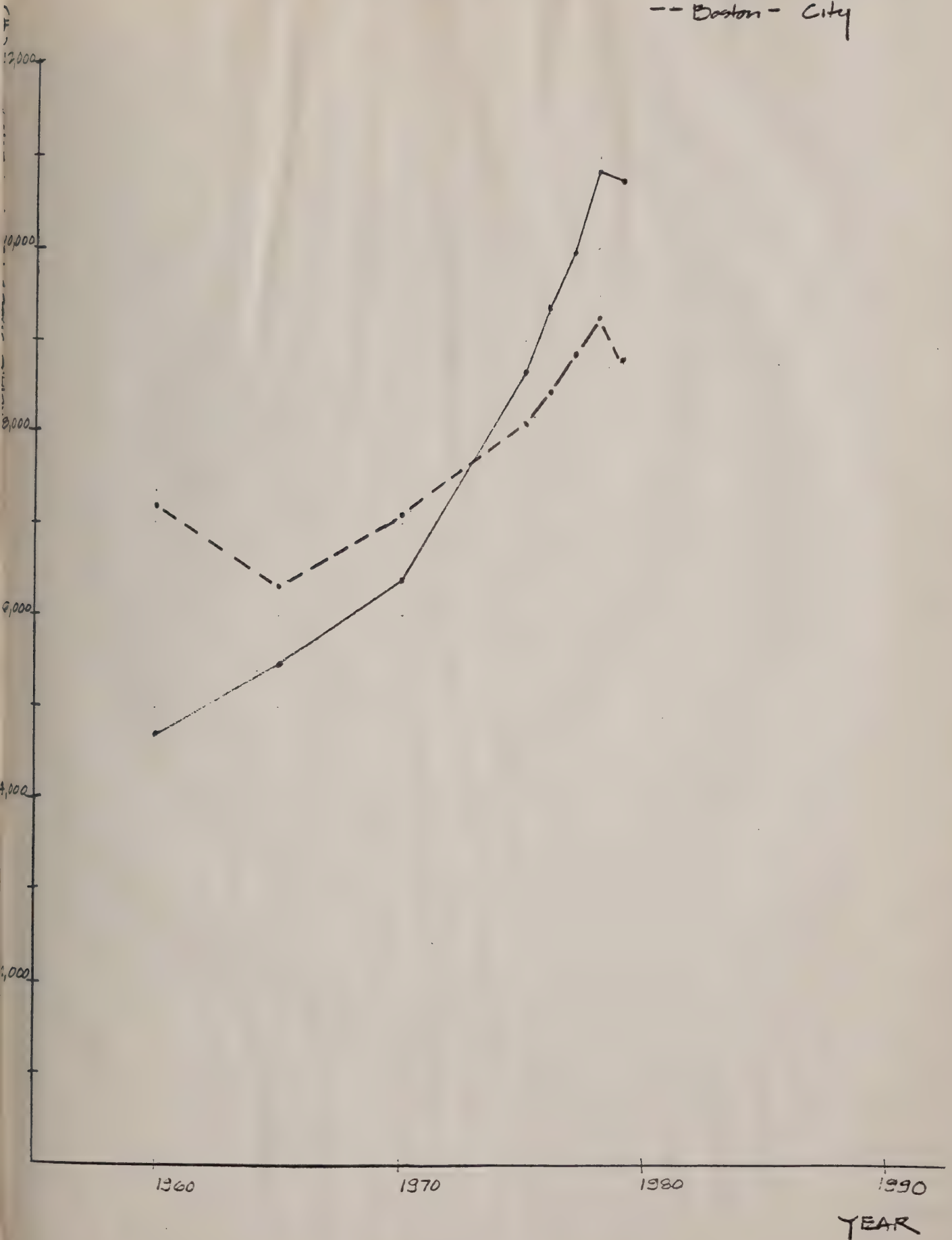
— Boston - SA

-- Boston - C



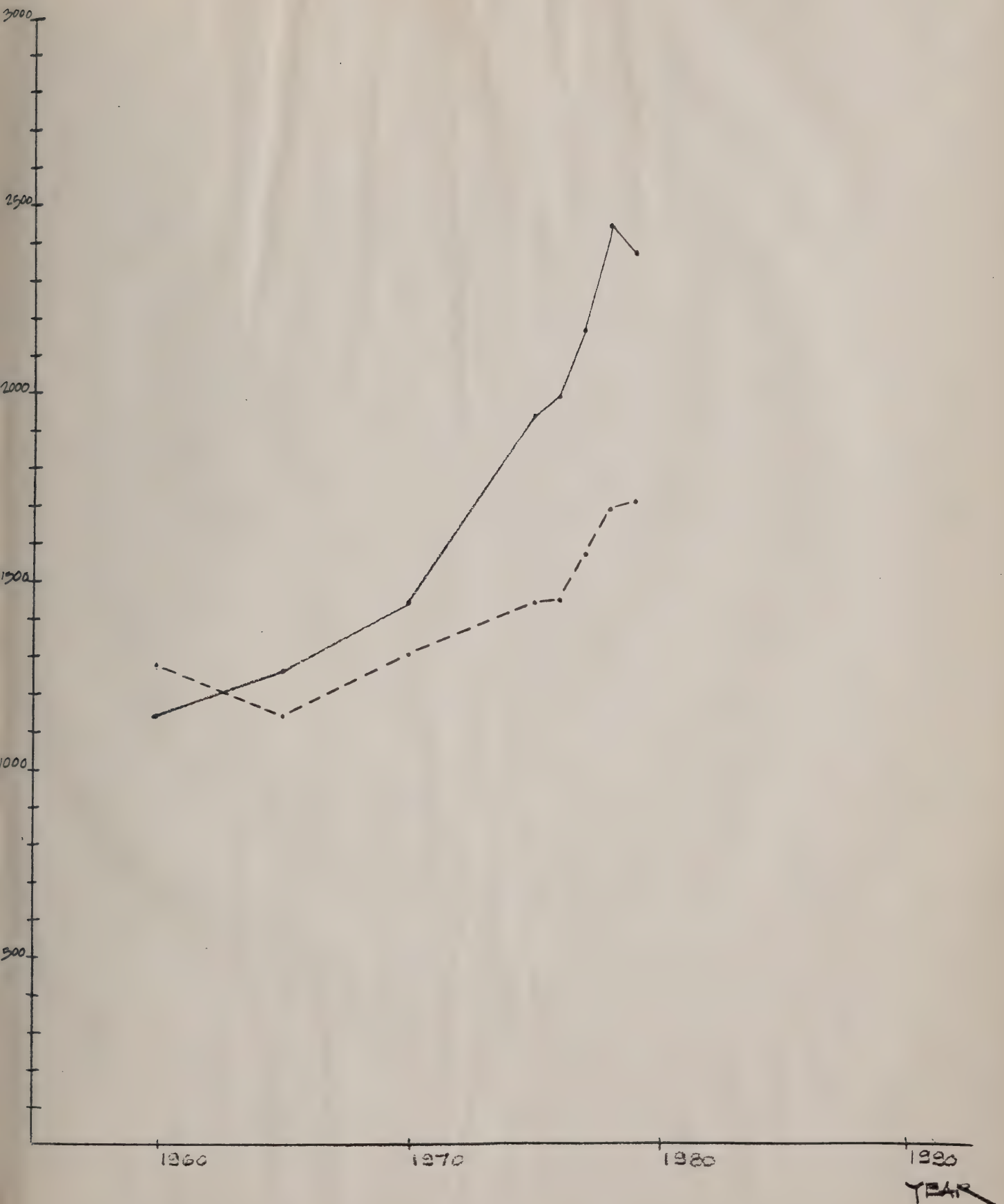
TOTAL RETAIL SALES PER HOUSEHOLD

— Boston - SMSA
-- Boston - City



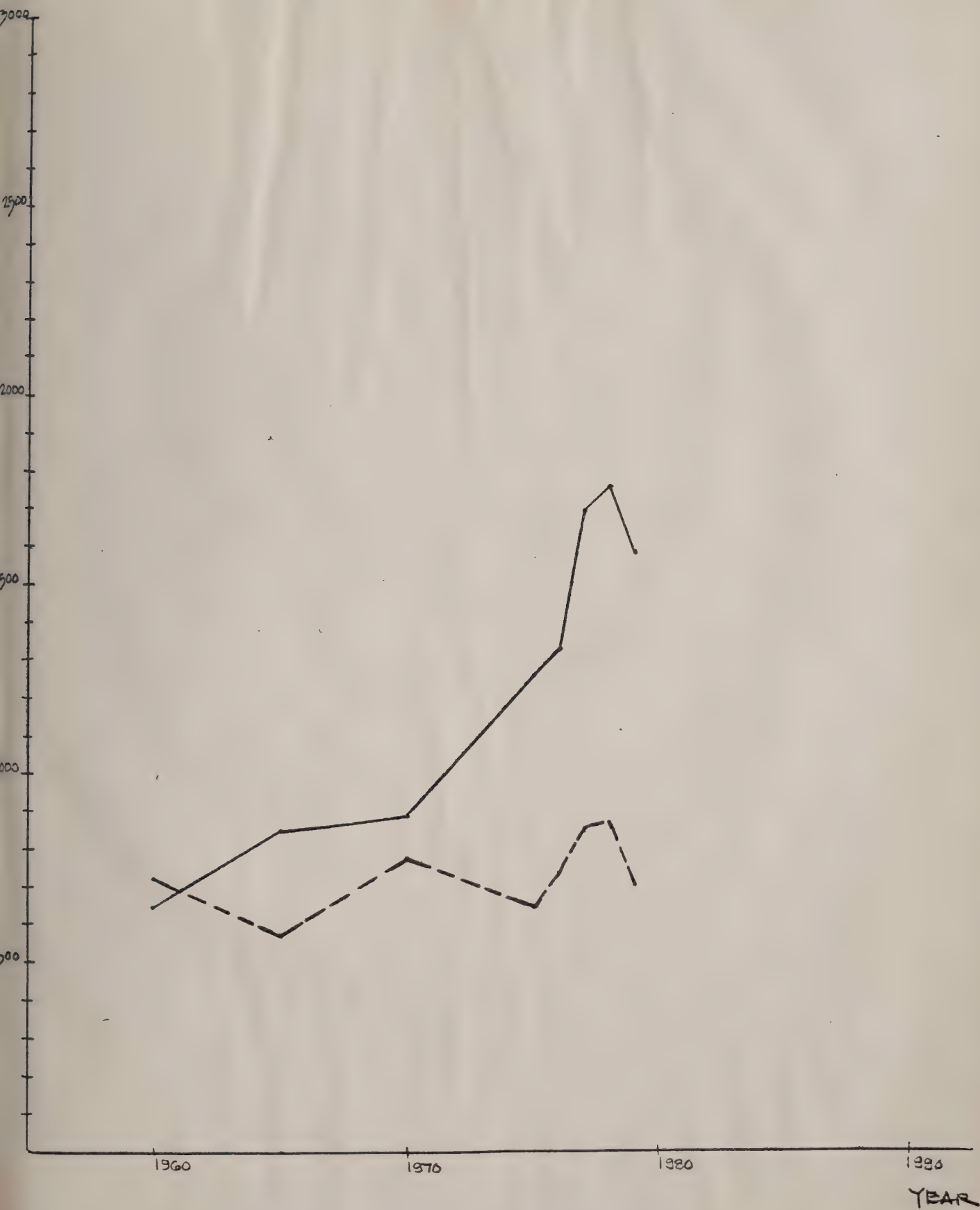
FOOD STORES
TOTAL SALES PER HOUSEHOLD

— Boston - SMSA
- - Boston - City



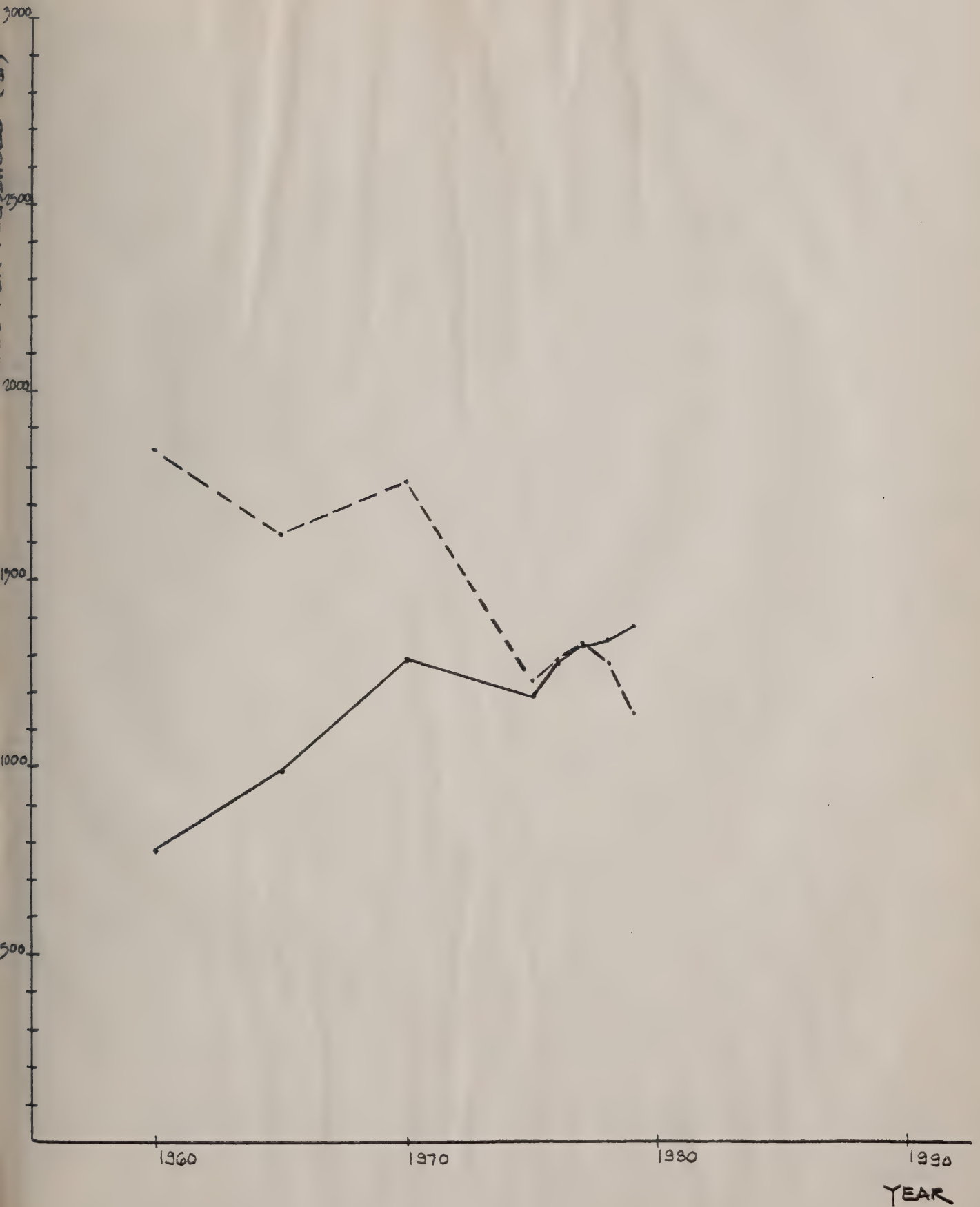
AUTOMOBILE DEALERS
TOTAL SALES PER HOUSEHOLD

— Boston - SMSA
-- Boston - City



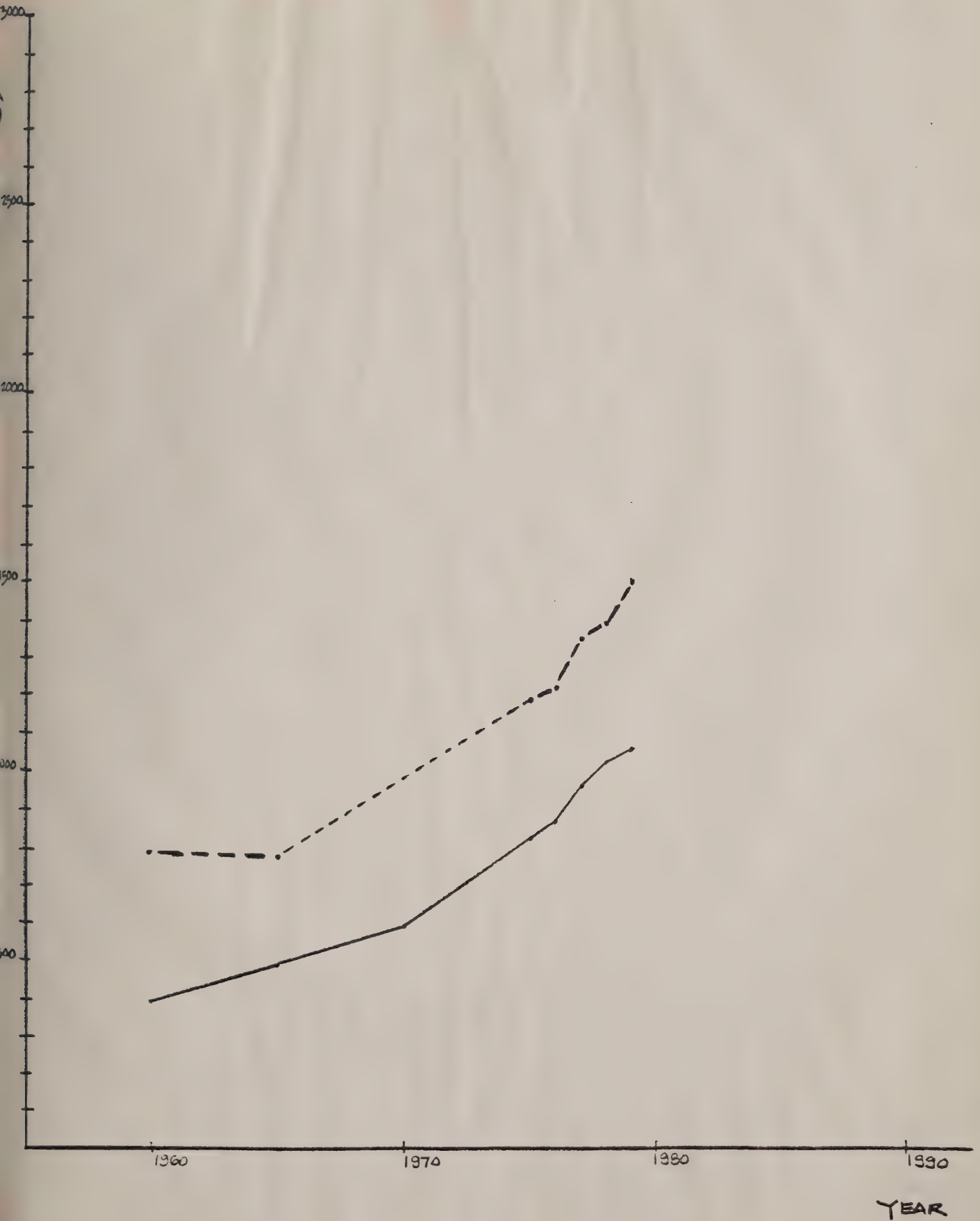
GENERAL MERCHANDISE STORES
TOTAL SALES PER HOUSEHOLD

— Boston - SMSA
-- Boston - City



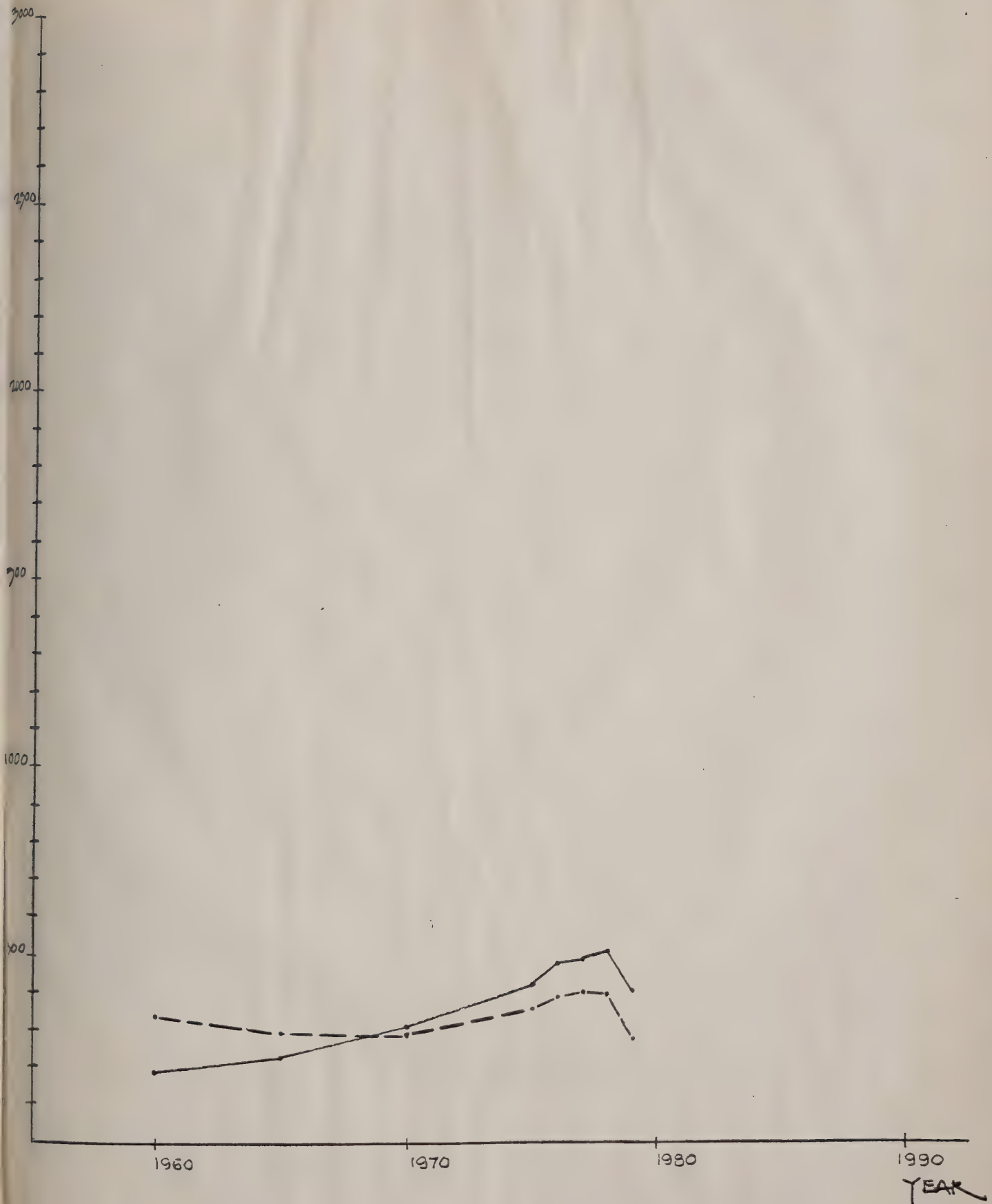
EATING & DRINKING PLACES
TOTAL SALES PER HOUSEHOLD

— Boston - SMSA
-- Boston - City



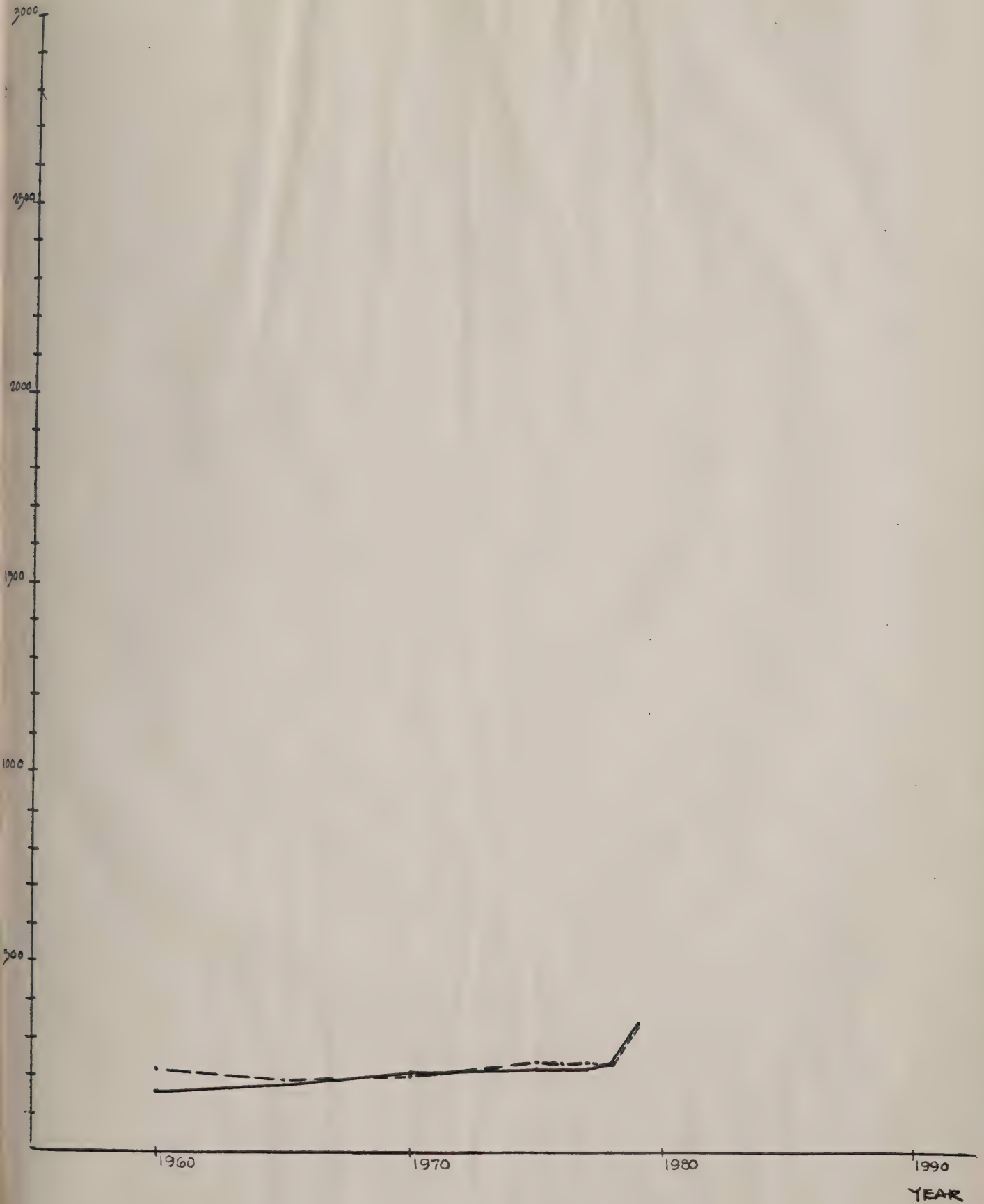
FURNITURE STORES
TOTAL SALES PER HOUSEHOLD

— Boston - SMSA
-- Boston - City



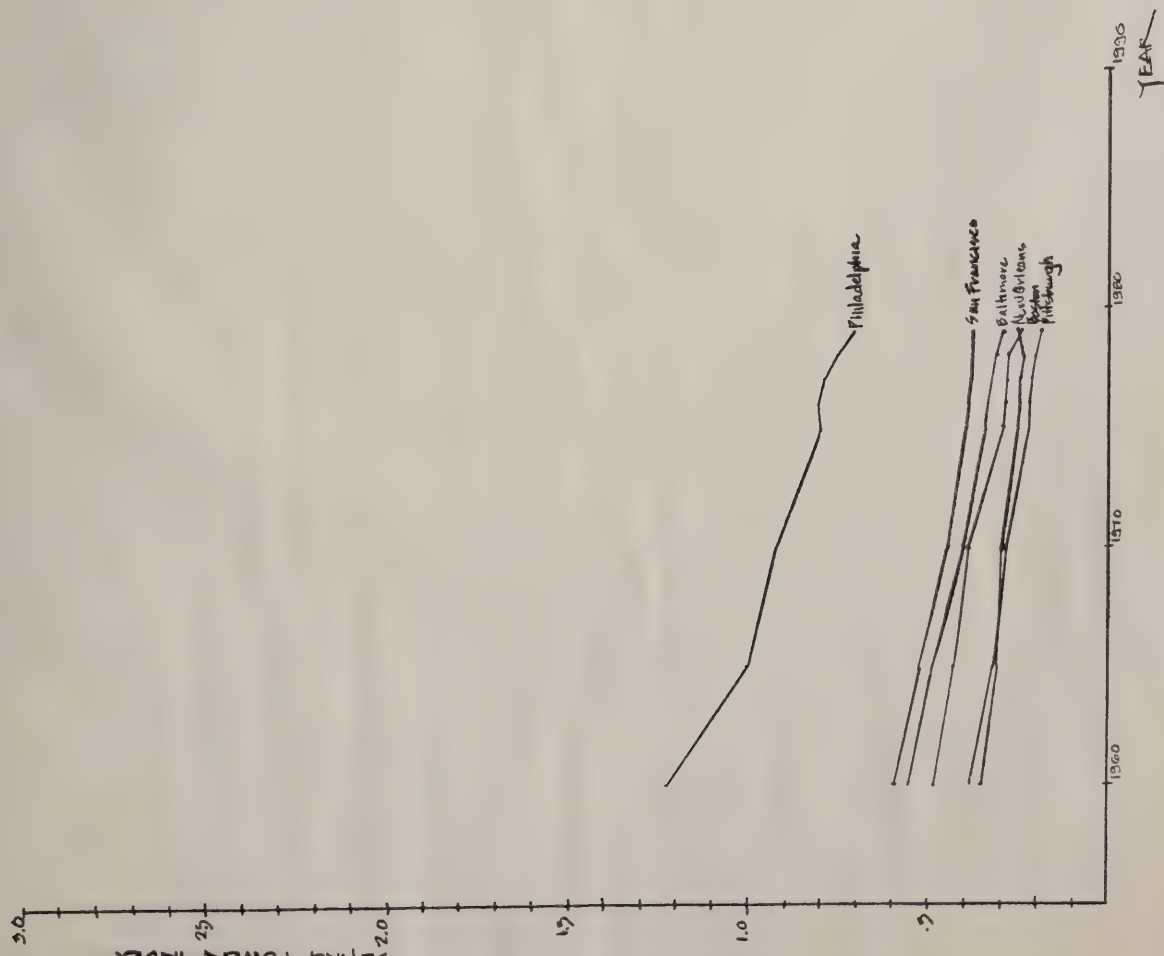
DRUG STORES
TOTAL SALES PER HOUSEHOLD

— Boston - SMSA
- - Boston - City

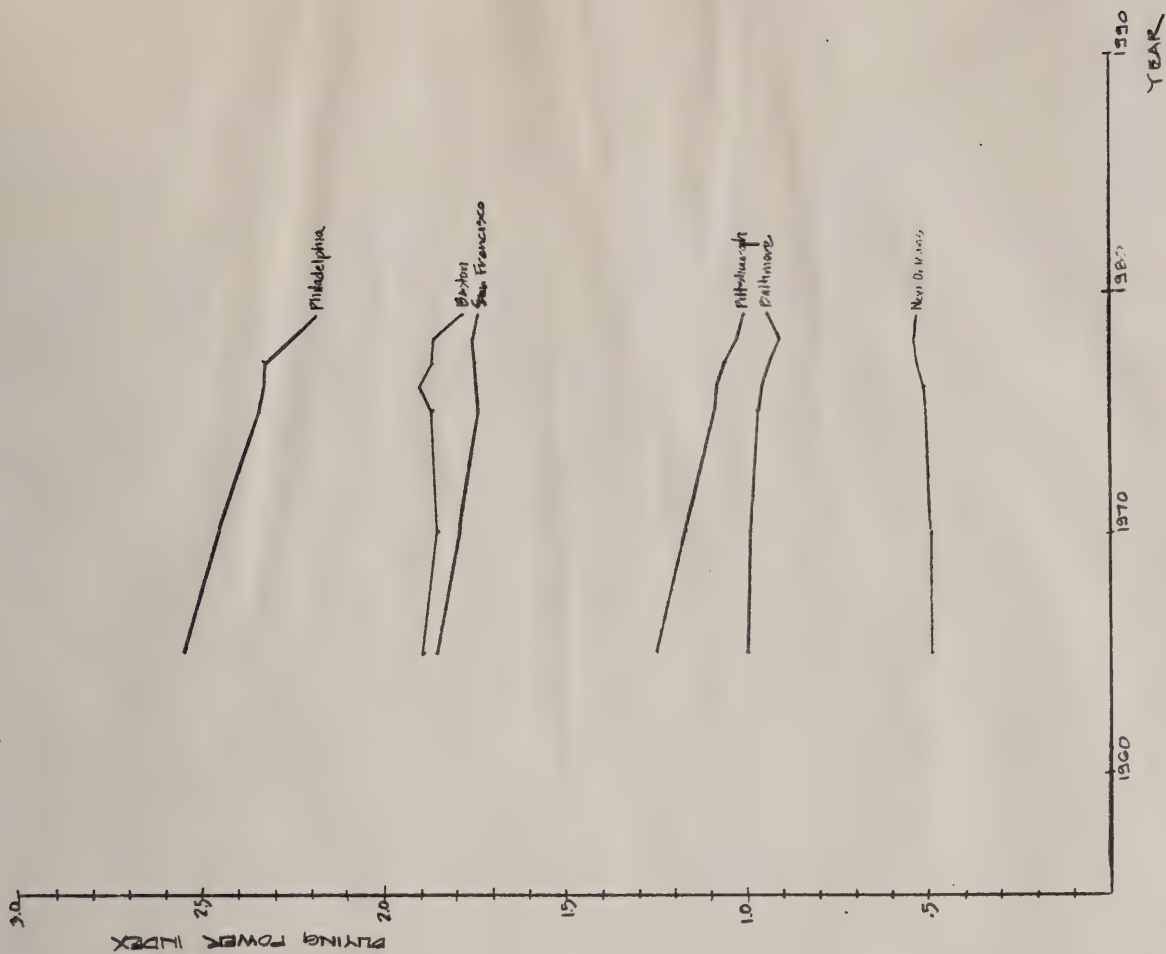


APPENDIX B

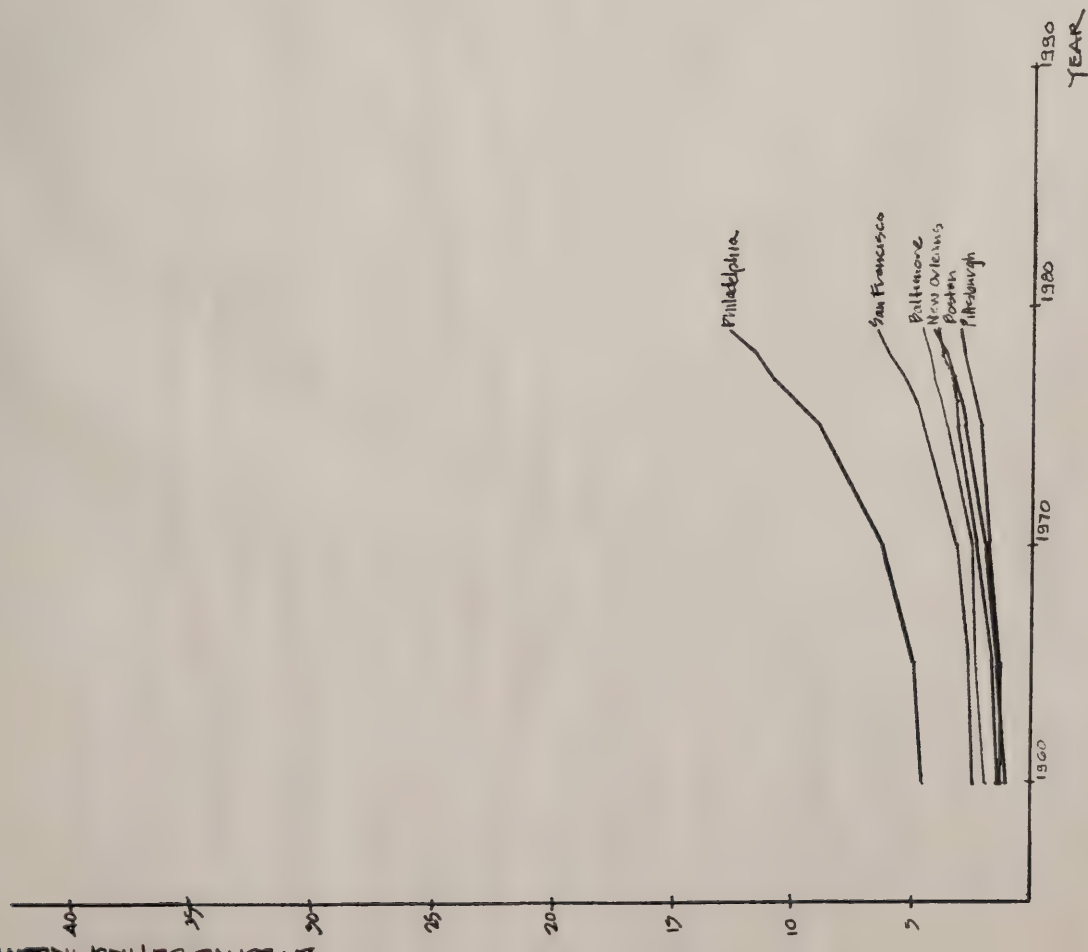
BUYING POWER INDEX - @ CITIES



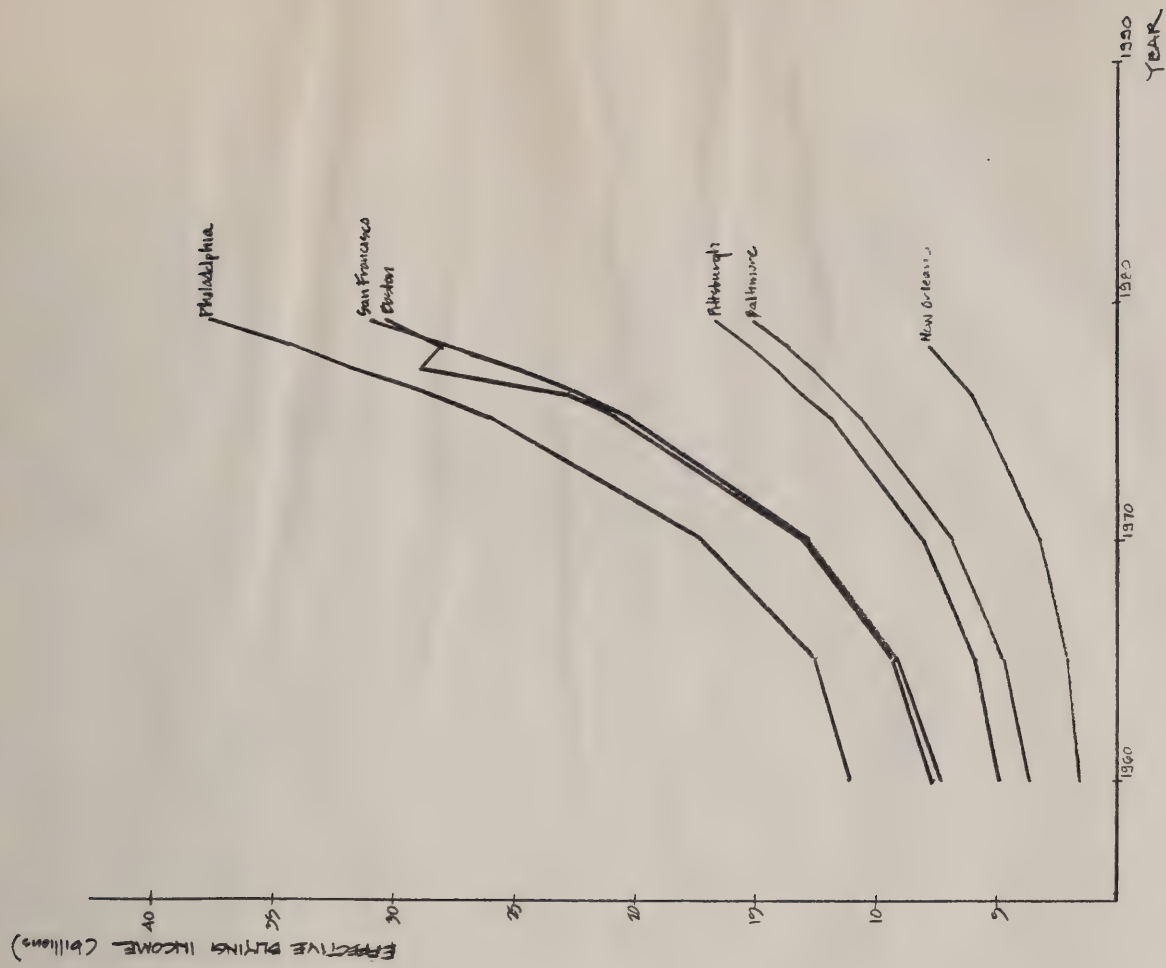
BUYING POWER INDEX - @ CITIES



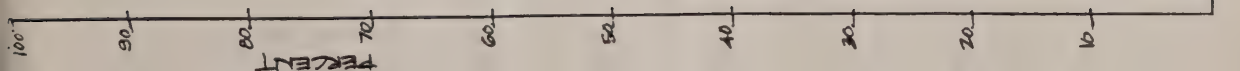
TOTAL EFFECTIVE BUYING INCOME - @ CITIES



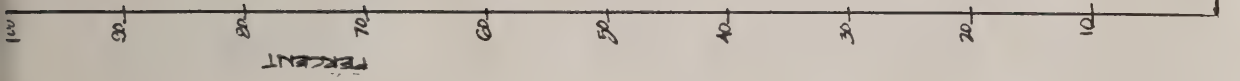
TOTAL EFFECTIVE BUYING INCOME - @ CITIES



% OF HOUSEHOLDS MAKING OVER \$10,000 / YEAR (EBI)
C CITIES



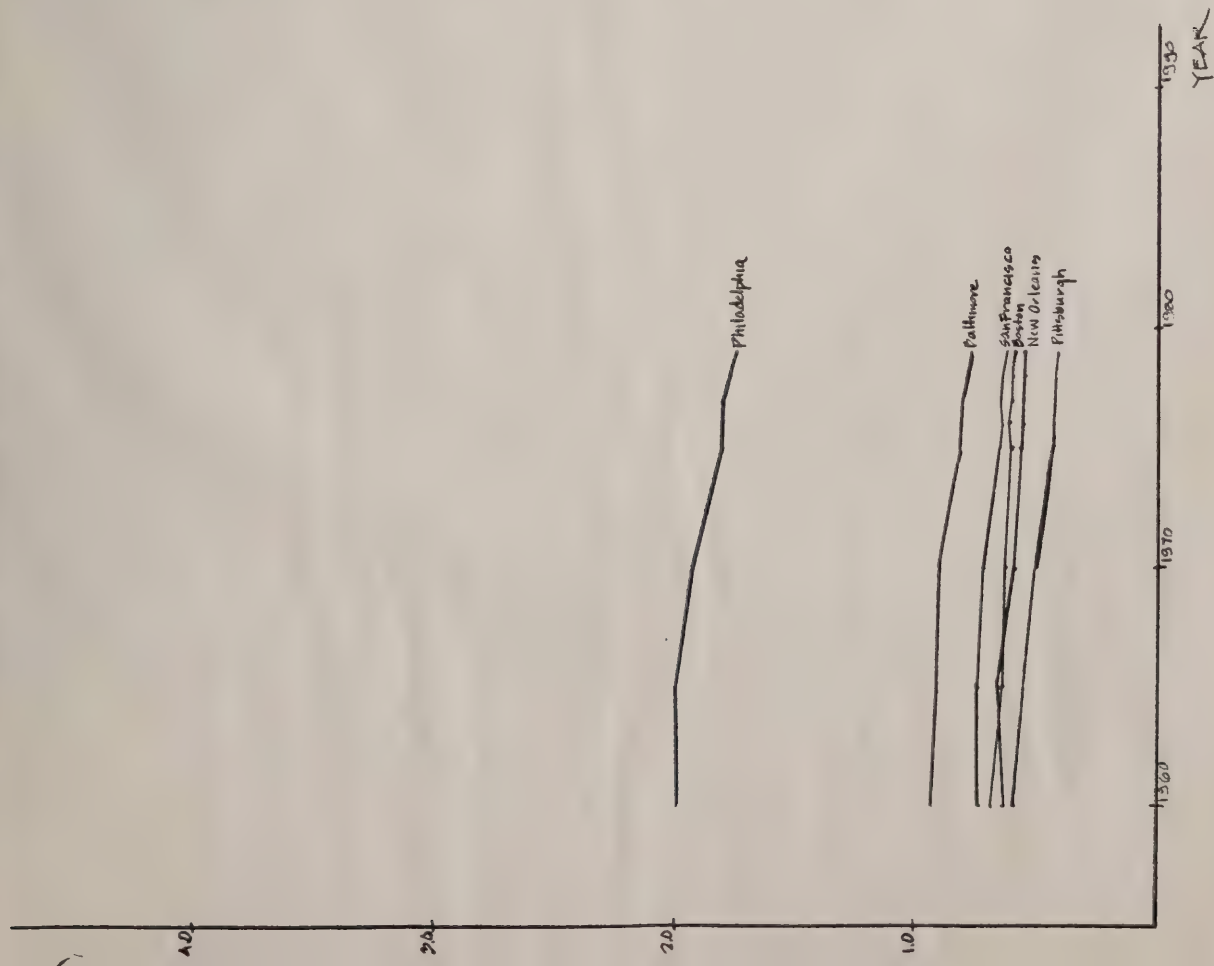
% OF HOUSEHOLDS MAKING OVER \$10,000 / YEAR (EBI)
C CITIES



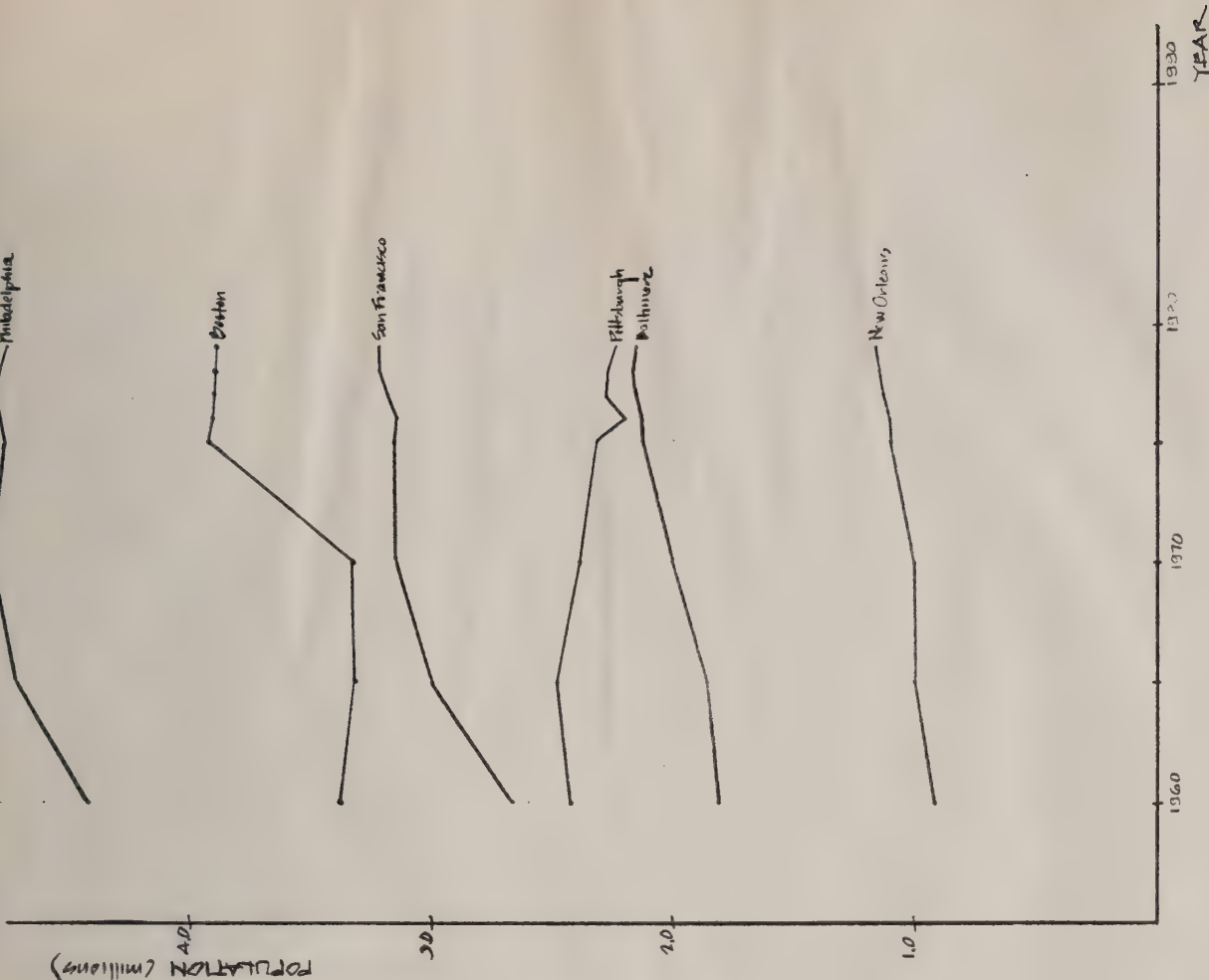
Philadelphia
San Francisco
Pittsburgh
Boston
Baltimore
Pittsburgh
New Orleans



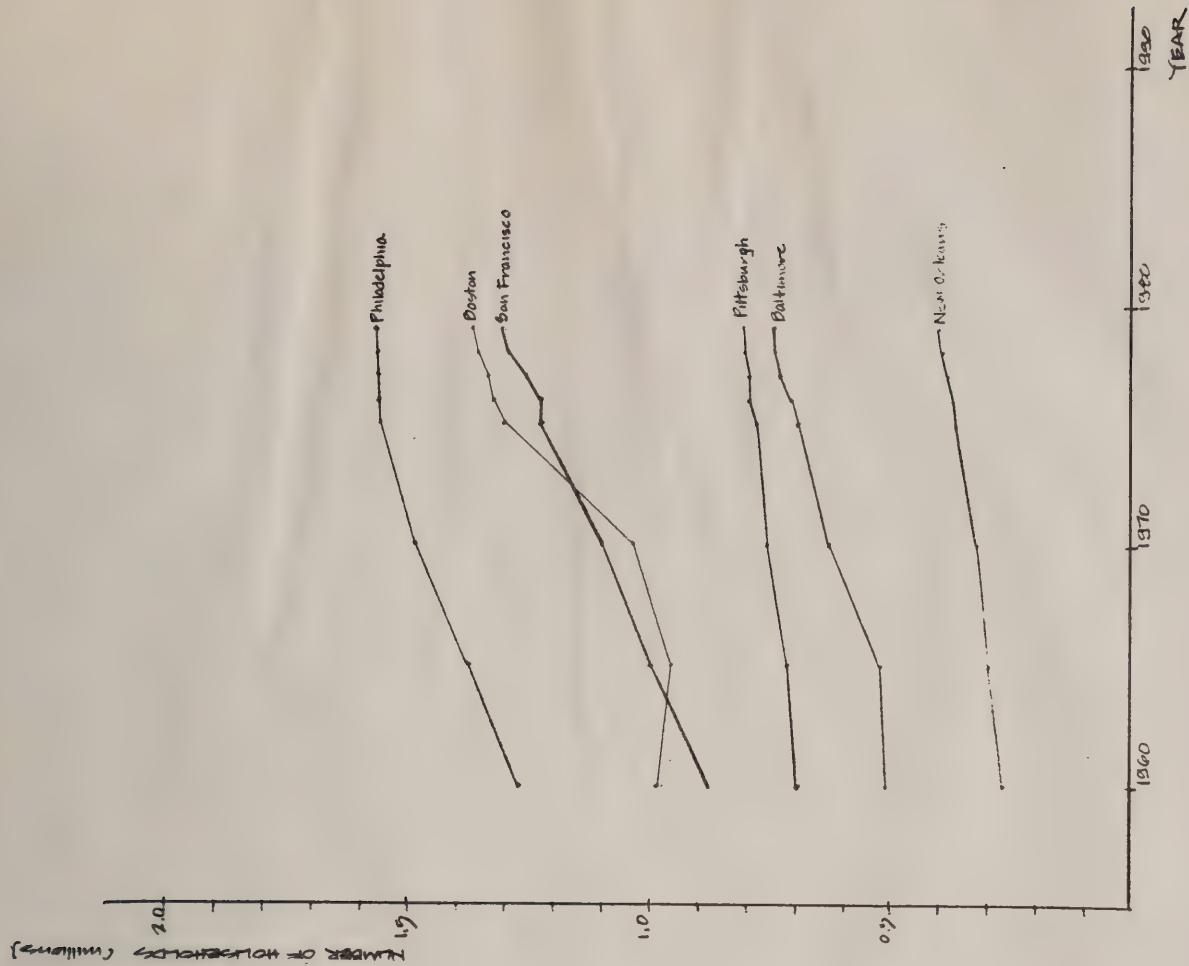
TOTAL POPULATION - CITIES



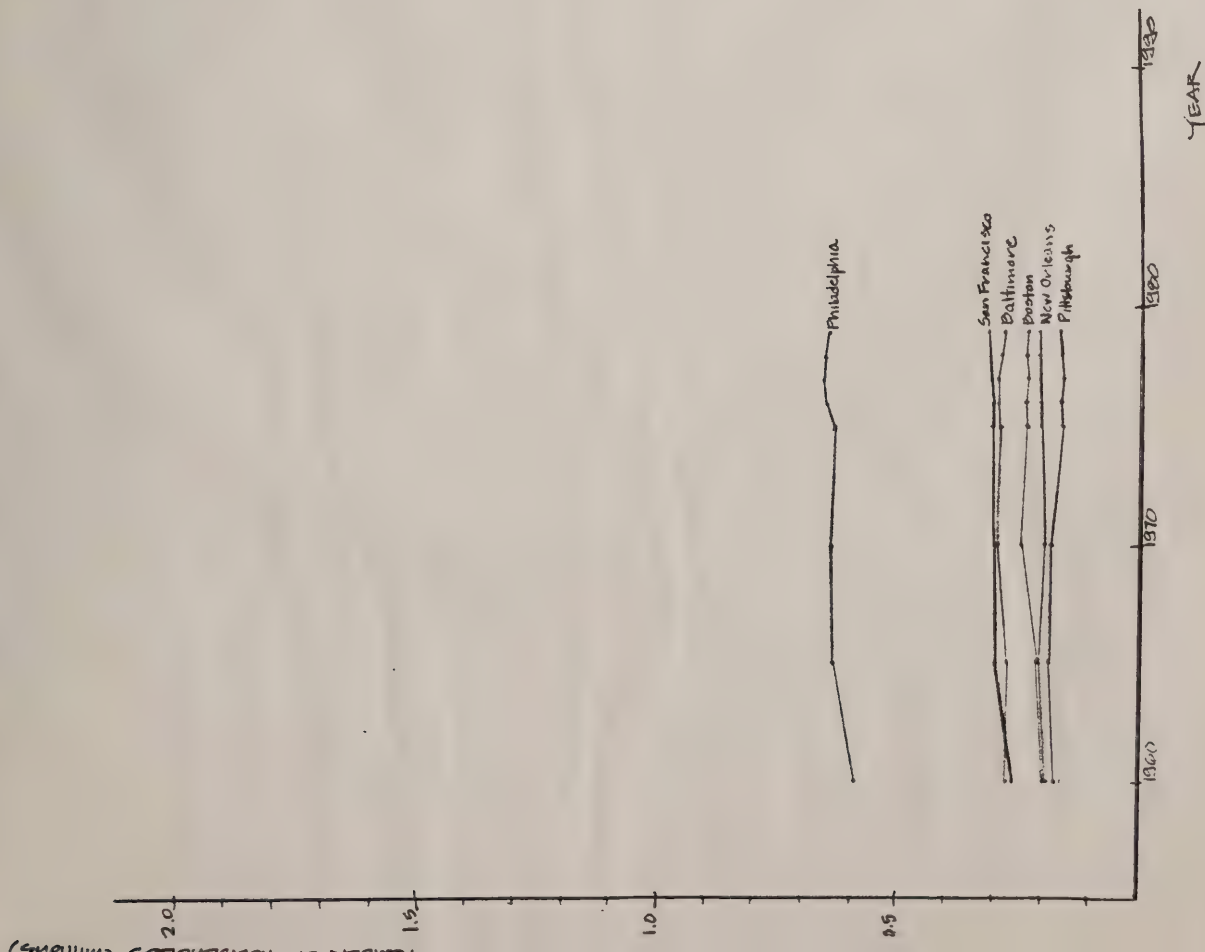
TOTAL POPULATION - CITIES



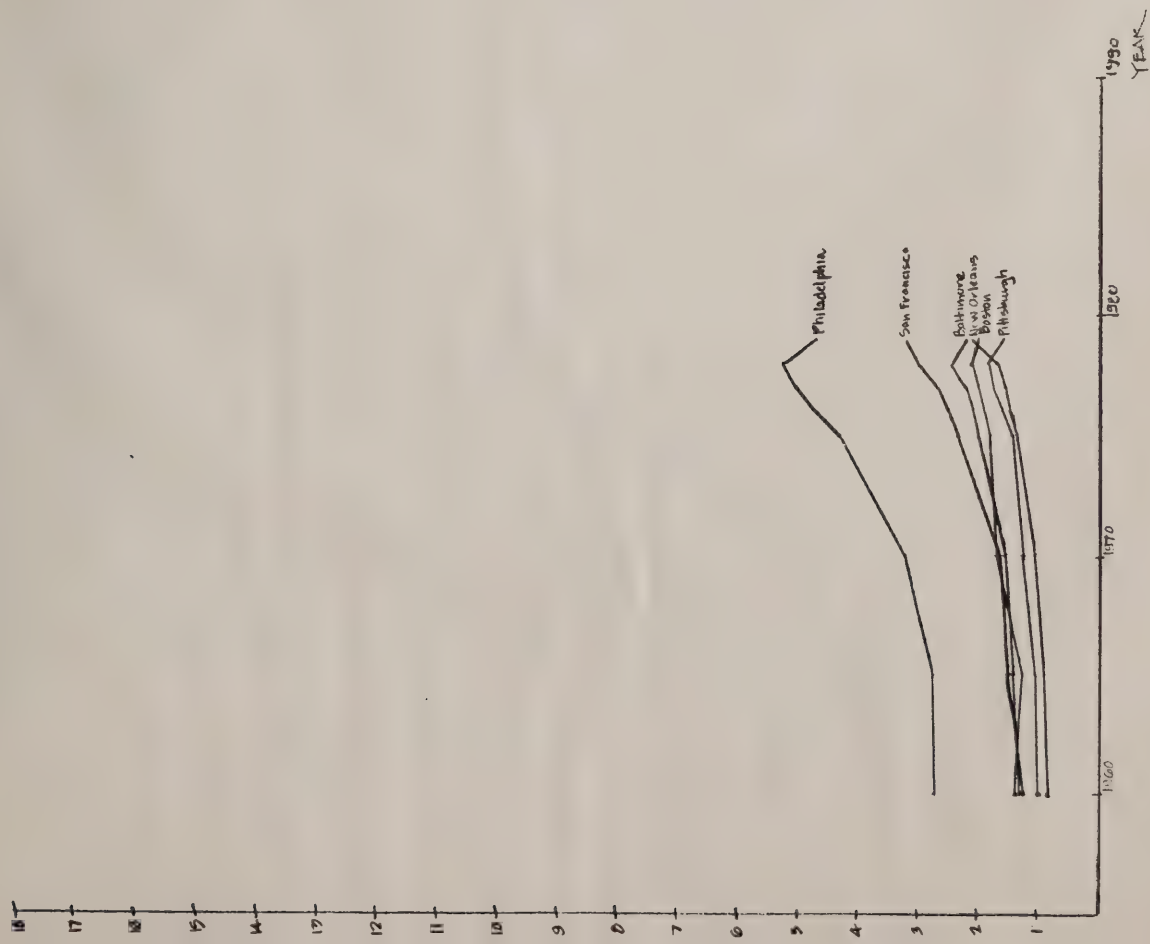
NUMBER OF HOUSEHOLDS - C. CANADA



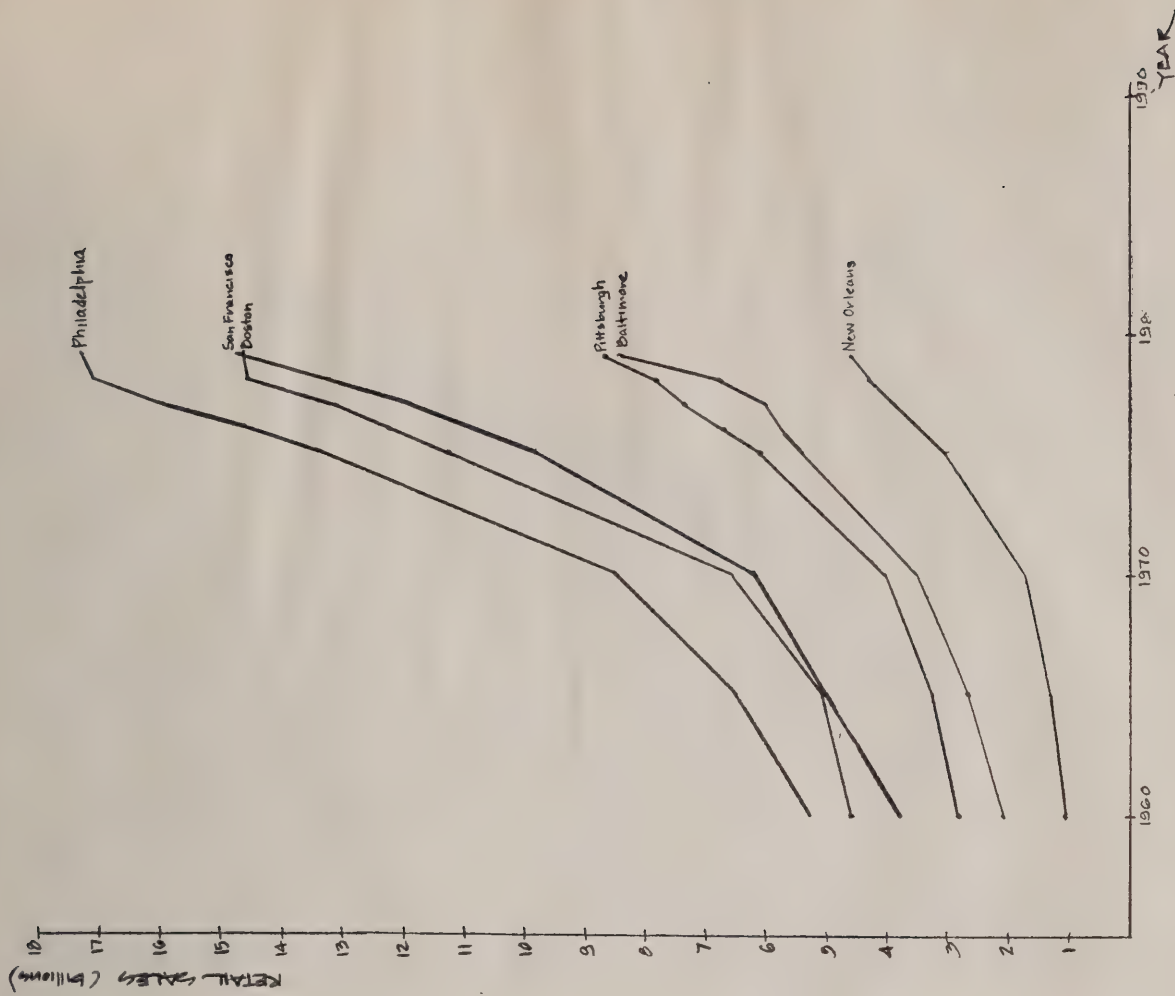
NUMBER OF HOUSEHOLDS - Co Cities



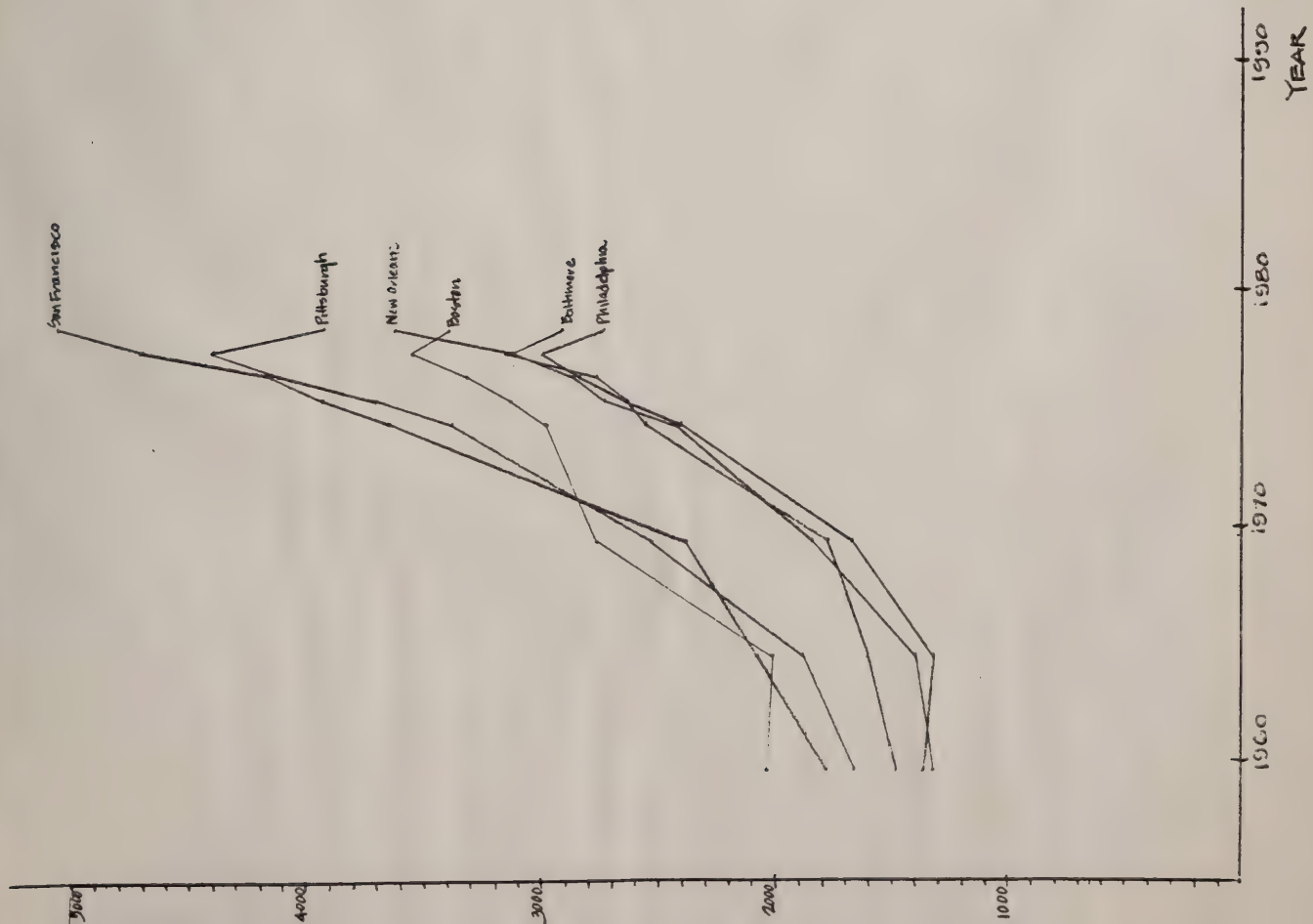
TOTAL RETAIL SALES - 6 CITIES



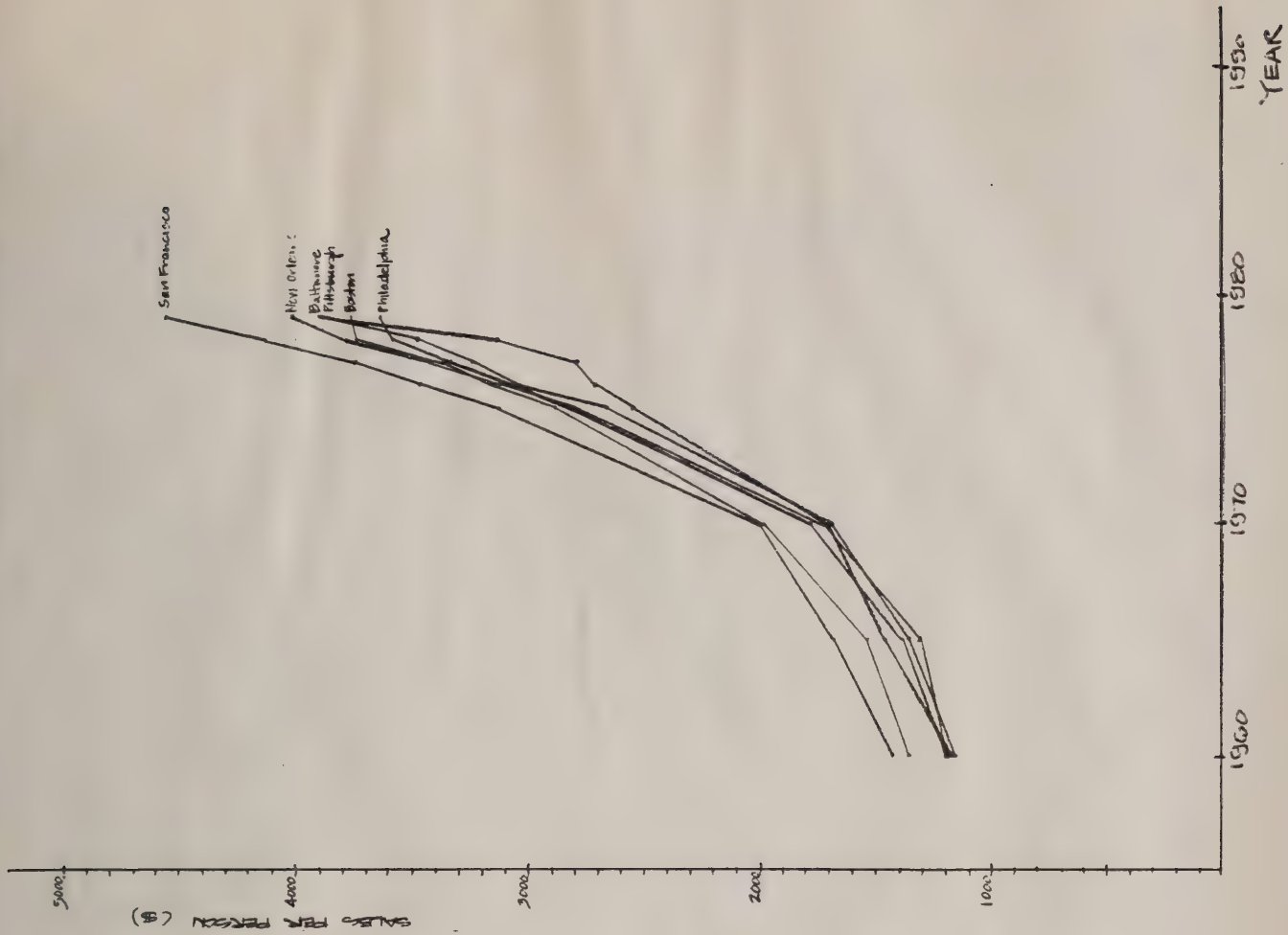
TOTAL RETAIL SALES - 6 CITIES



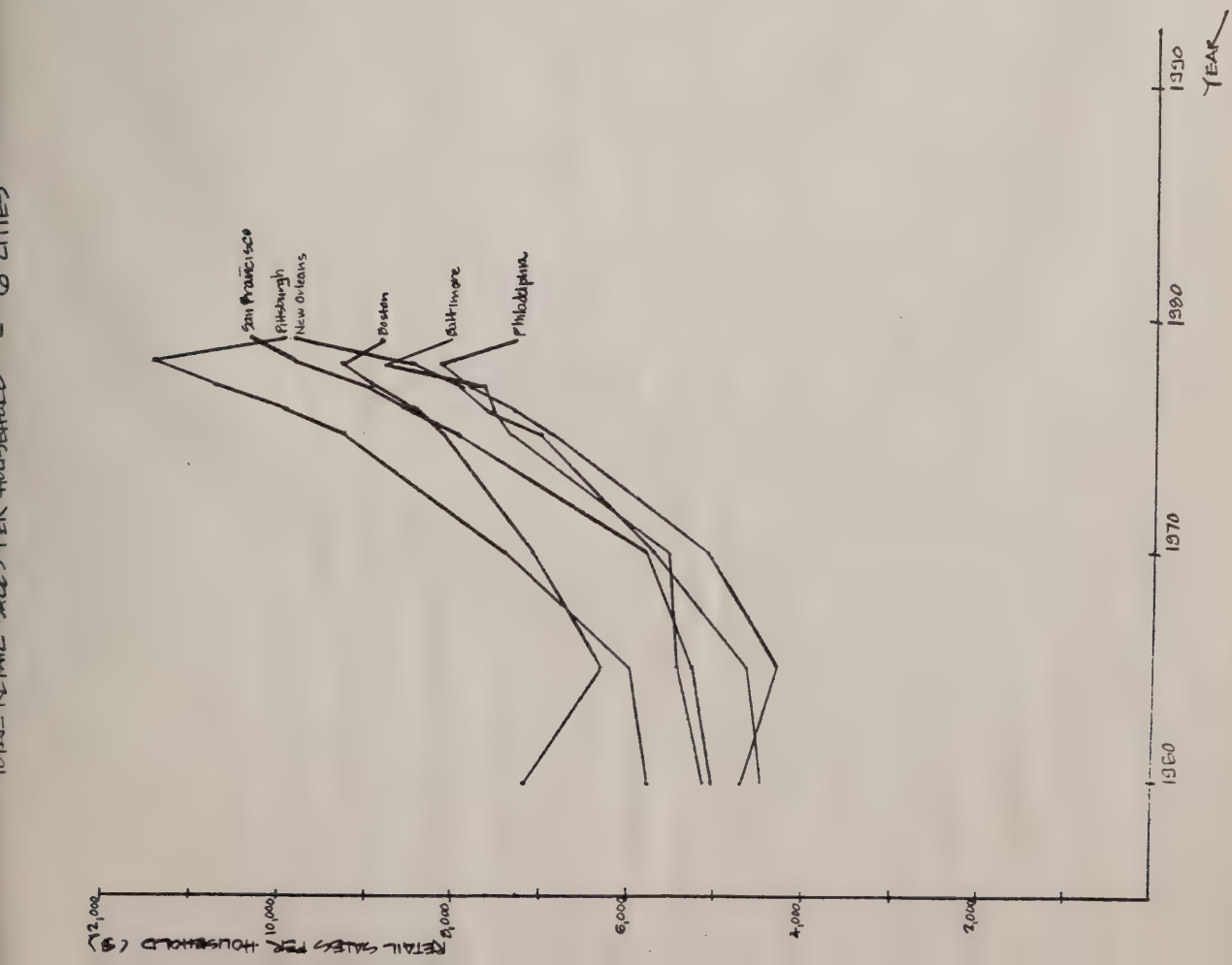
TOTAL RETAIL SALES PER PERSON - G. Cities



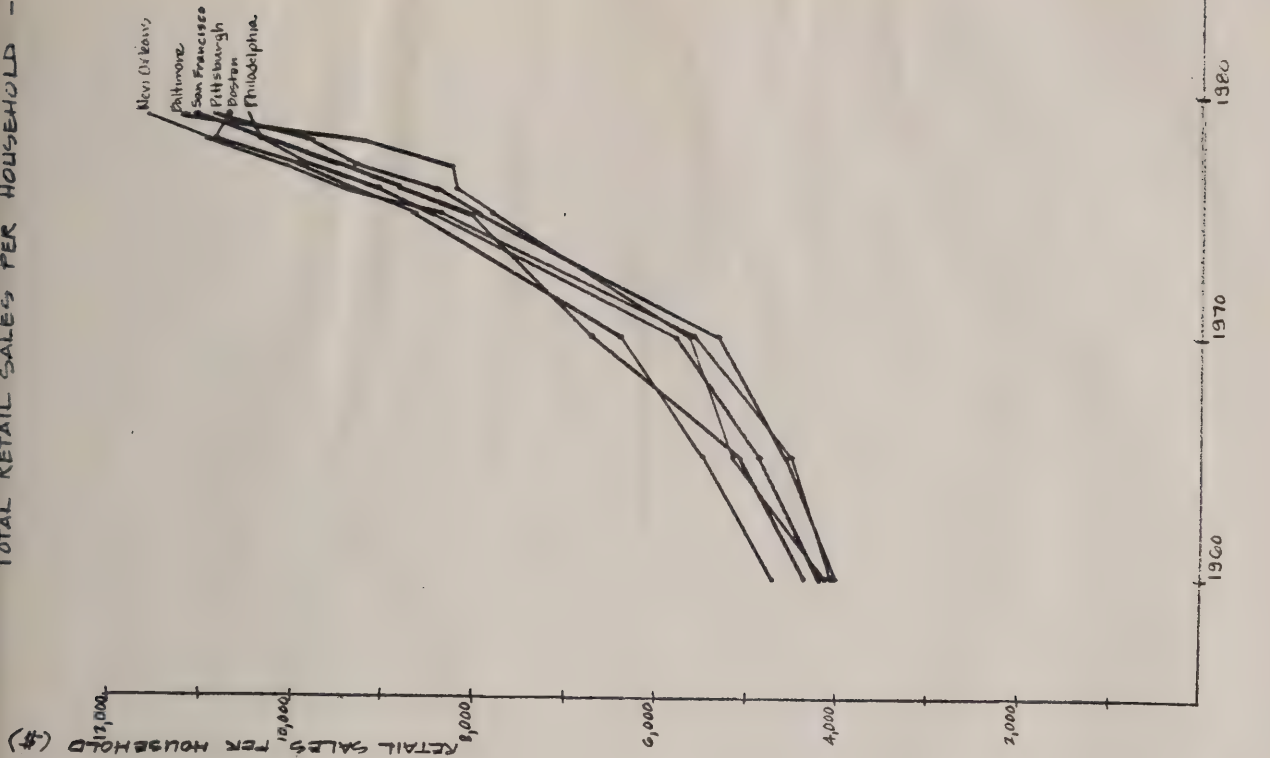
TOTAL RETAIL SALES PER PERSON - G. Cities



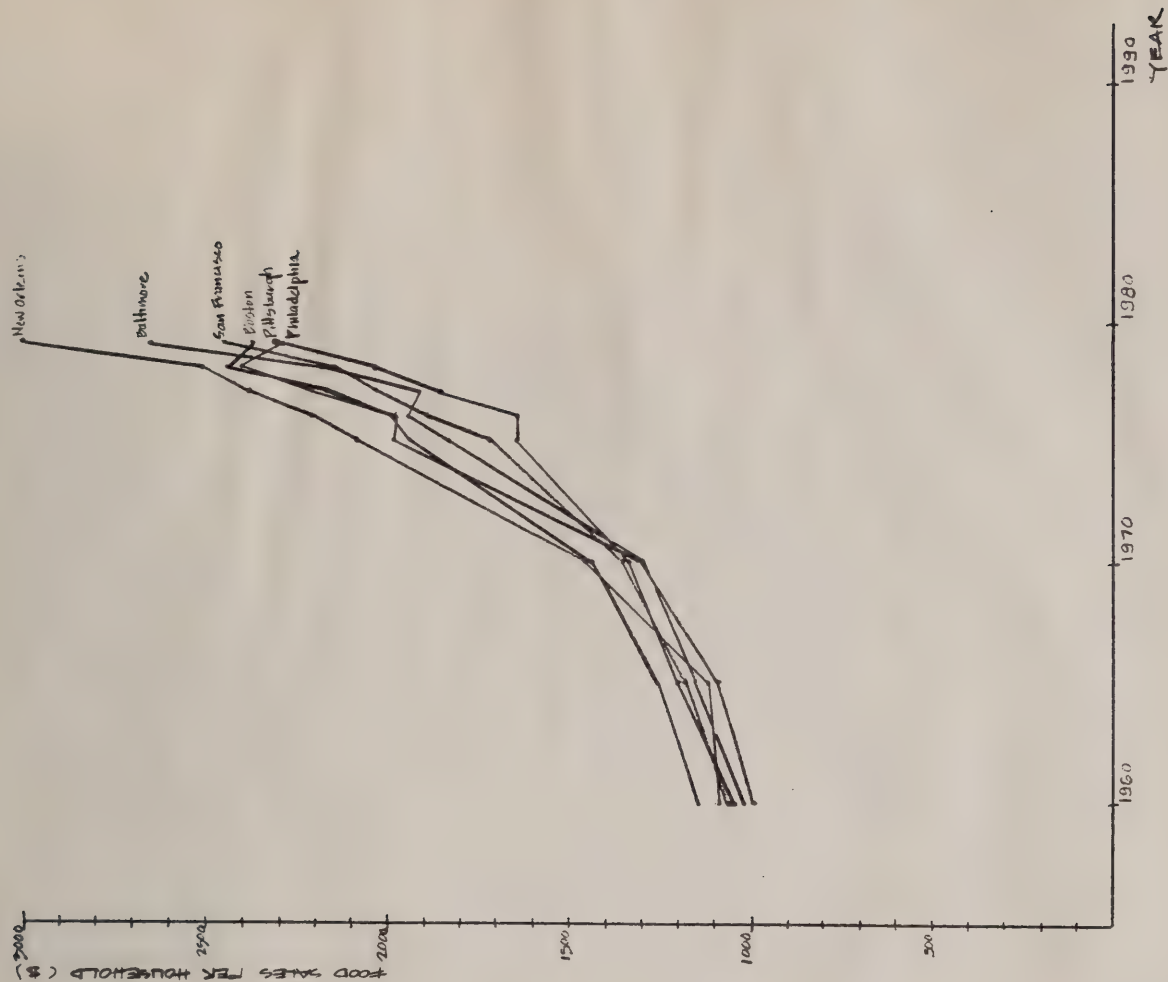
TOTAL RETAIL SALES PER HOUSEHOLD - 6 CITIES



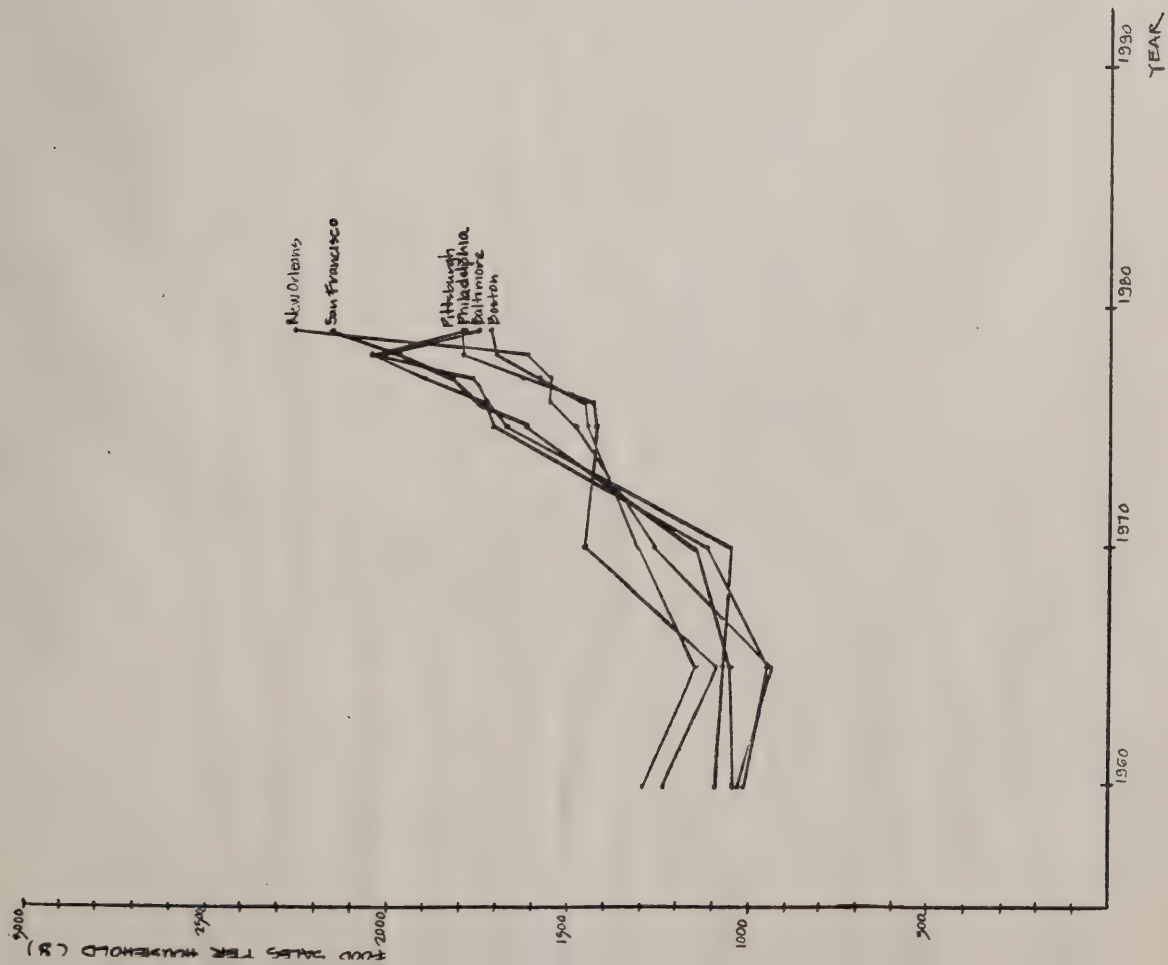
TOTAL RETAIL SALES PER HOUSEHOLD - 6 CITIES



FOOD STORES
TOTAL SALES PER HOUSEHOLD - 6 SWEAS

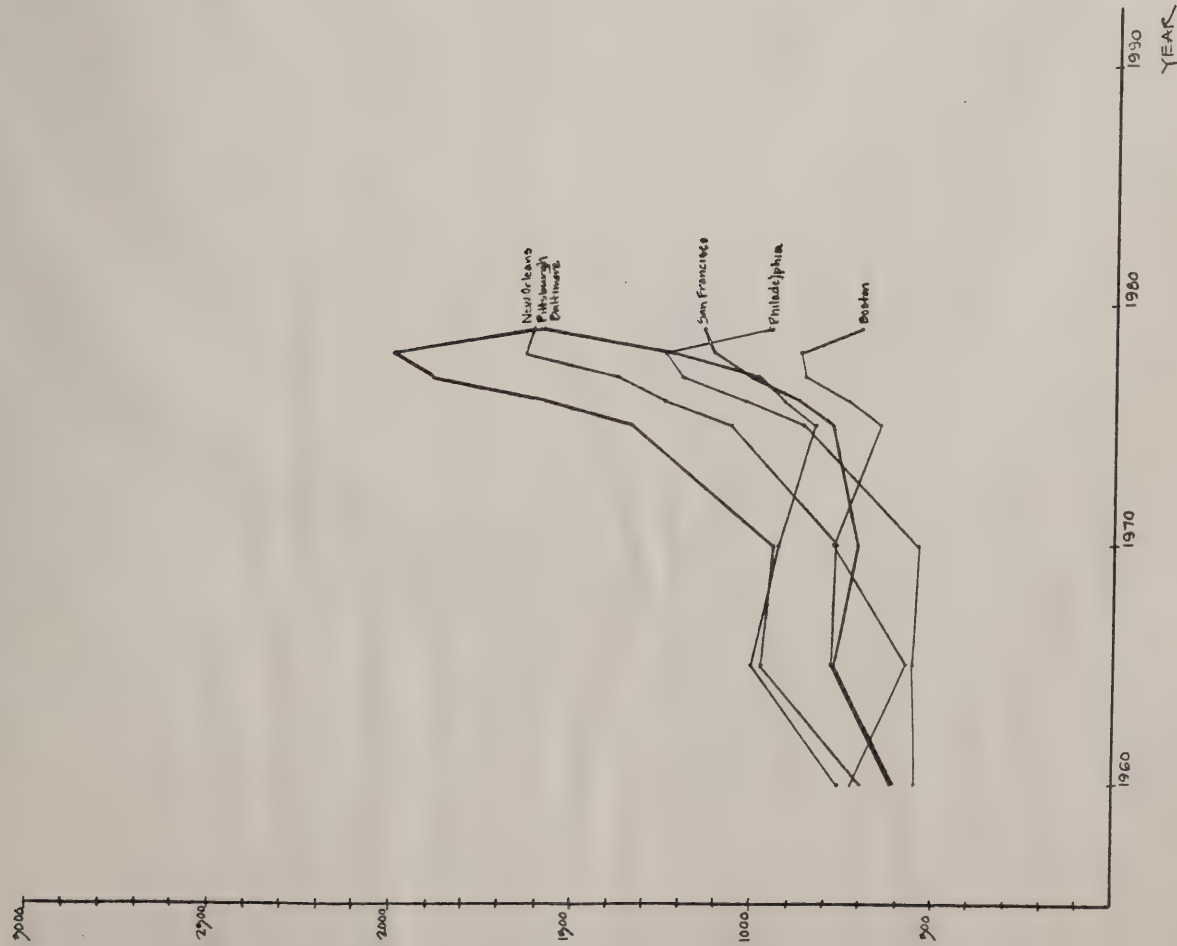


FOOD STORES
TOTAL SALES PER HOUSEHOLD - 6 CHES



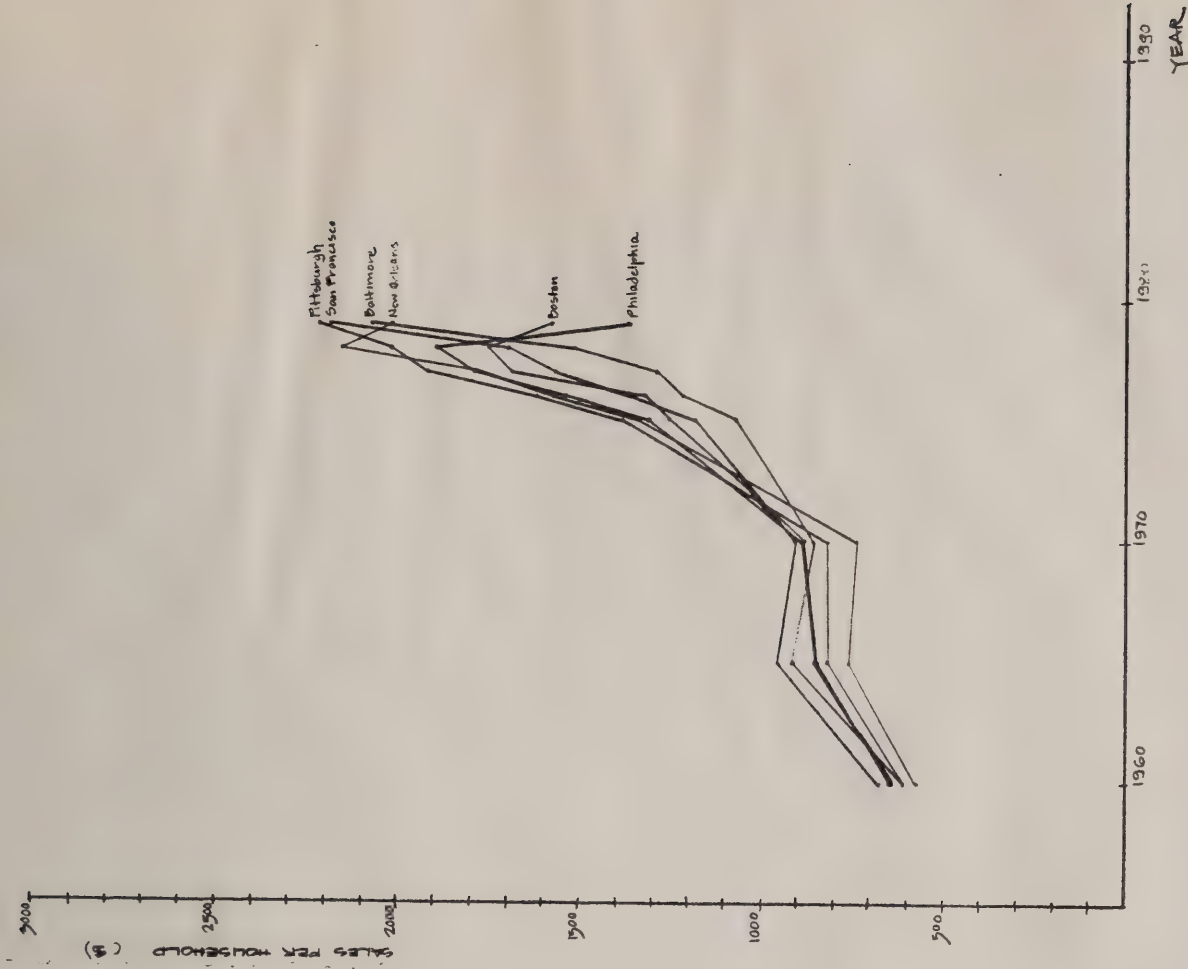
AUTOMOBILE DEALERS
TOTAL SALES PER HOUSEHOLD

- 6 CITIES

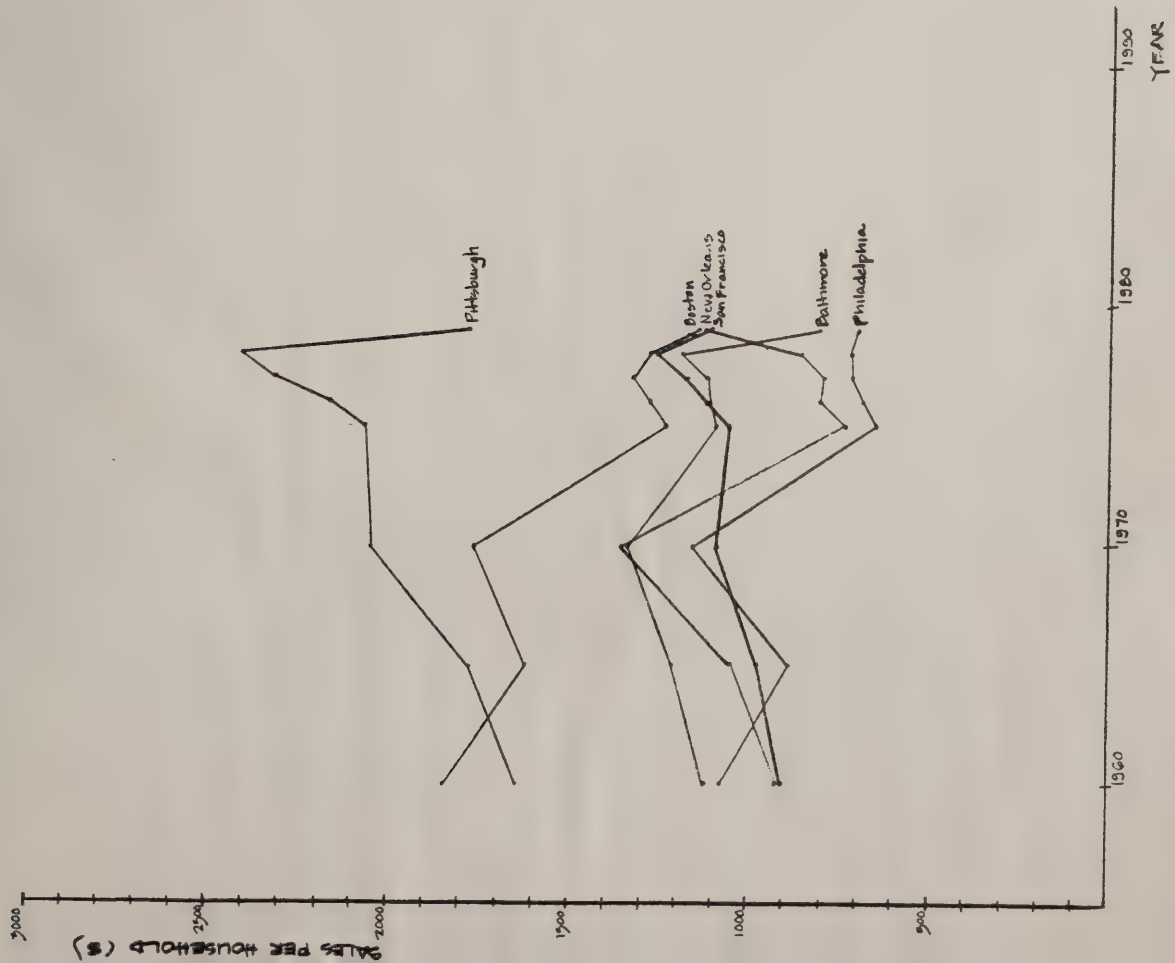


AUTOMOBILE DEALERS
TOTAL SALES PER HOUSEHOLD

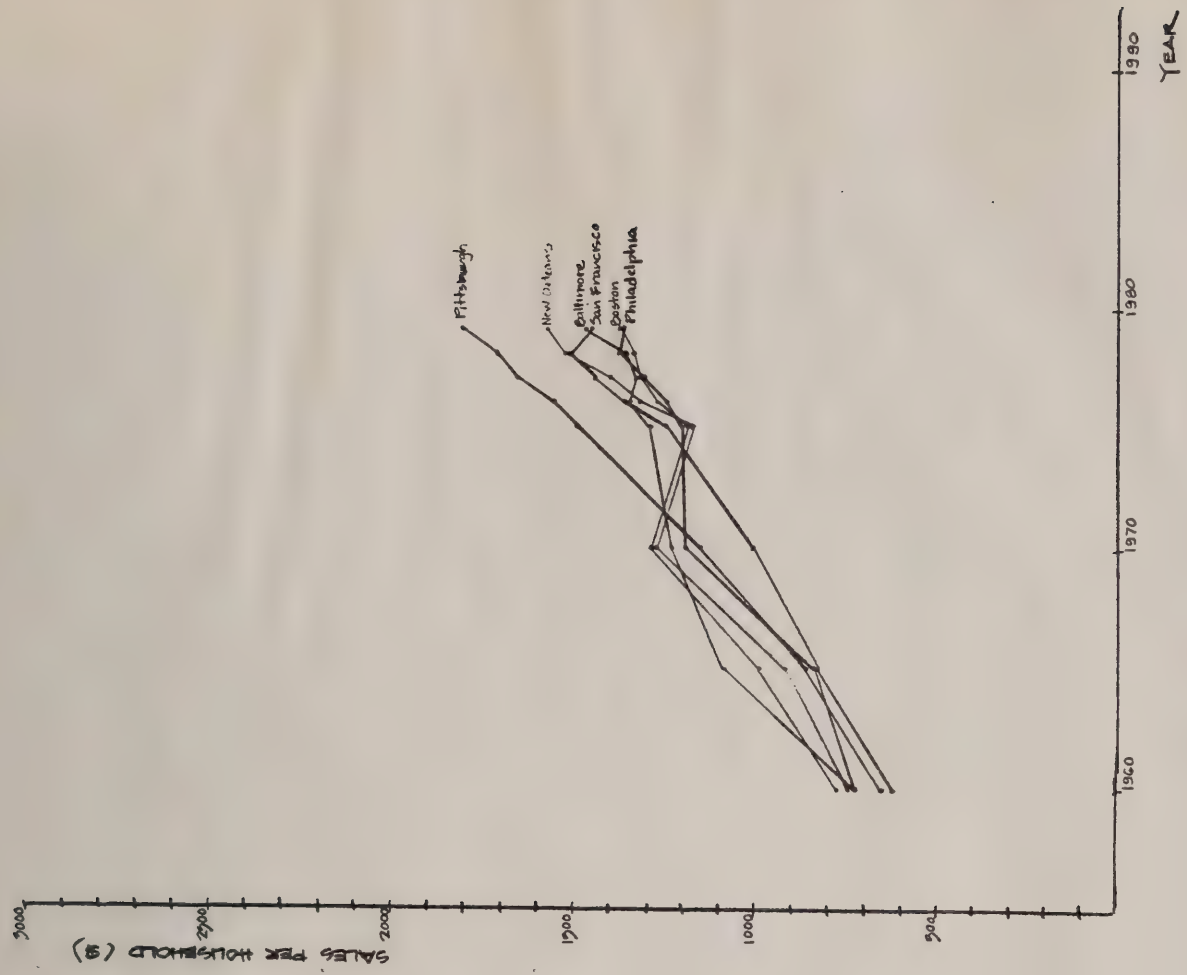
- 6 CITIES



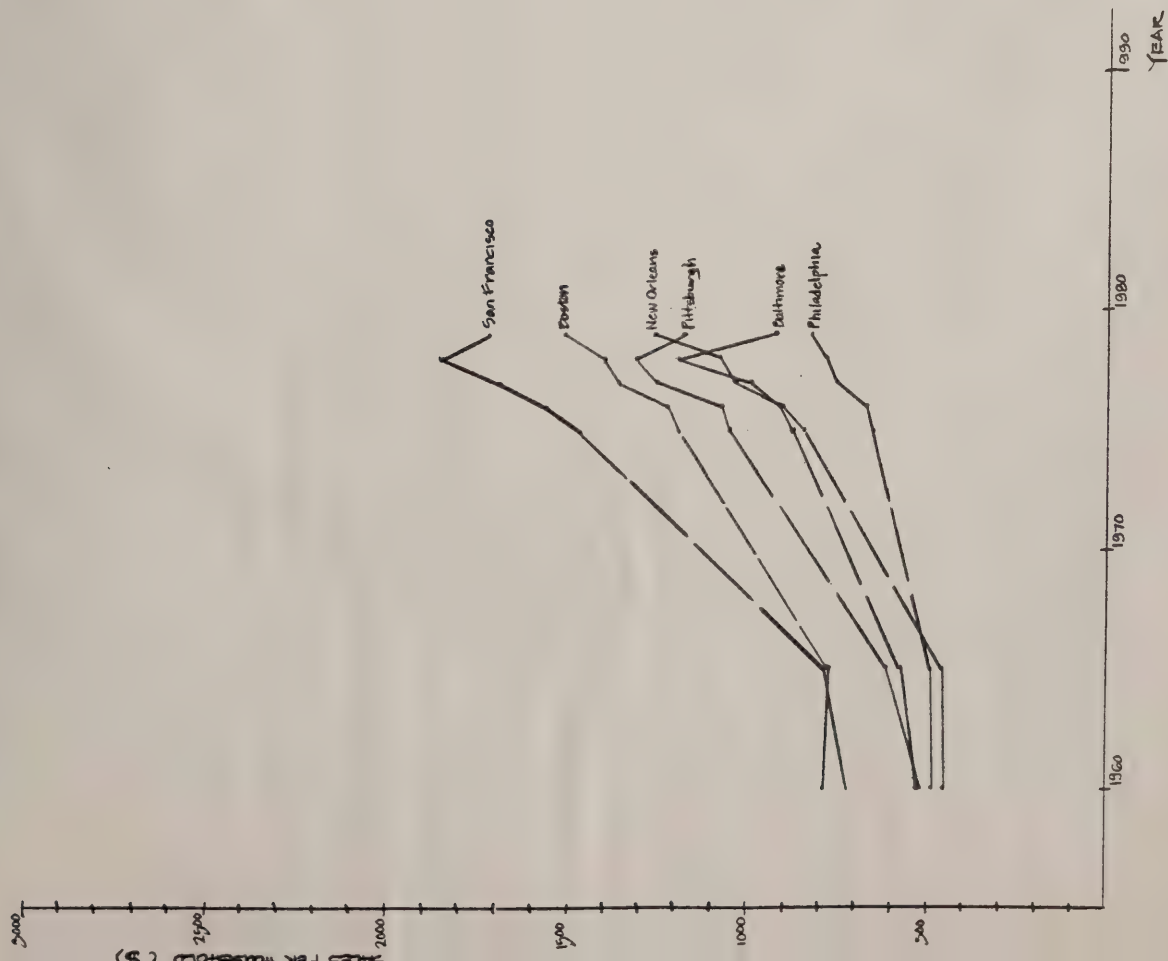
GENERAL MERCHANDISE STORES
TOTAL SALES PER HOUSEHOLD - 6 CITIES



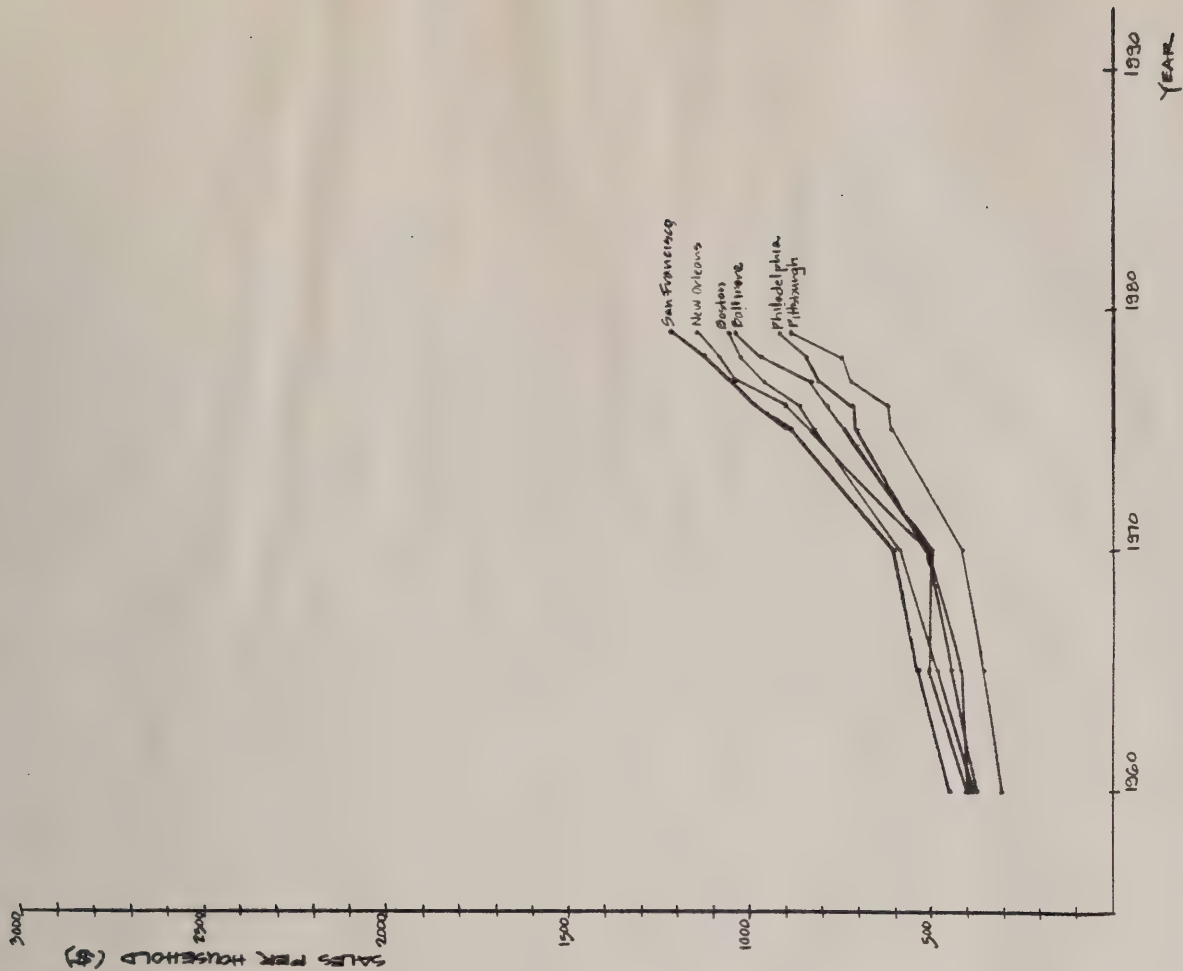
GENERAL MERCHANDISE STORES
TOTAL SALES PER HOUSEHOLD - 6 CITIES



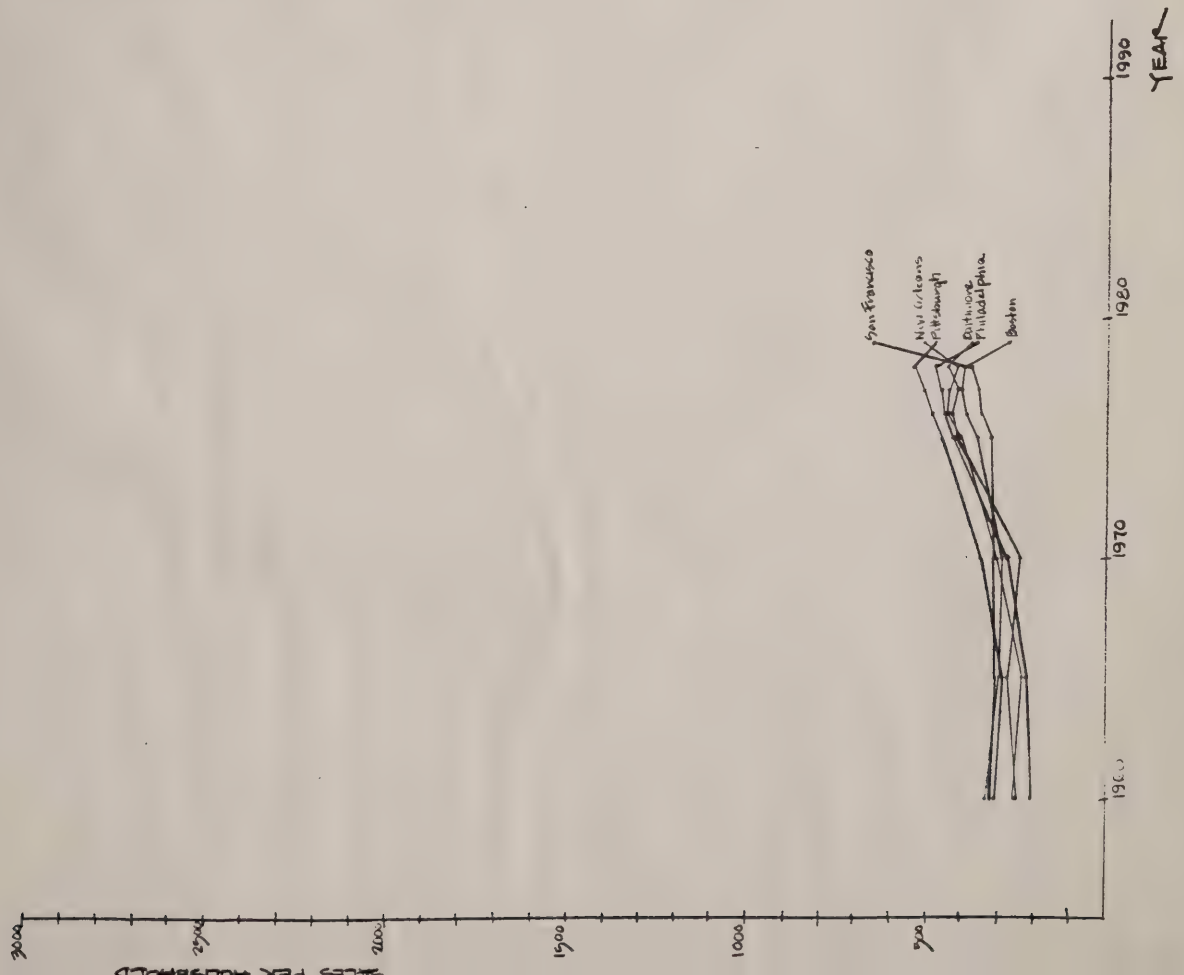
EATING & DRINKING PLACES
TOTAL SALES PER HOUSEHOLD - 6 Cities



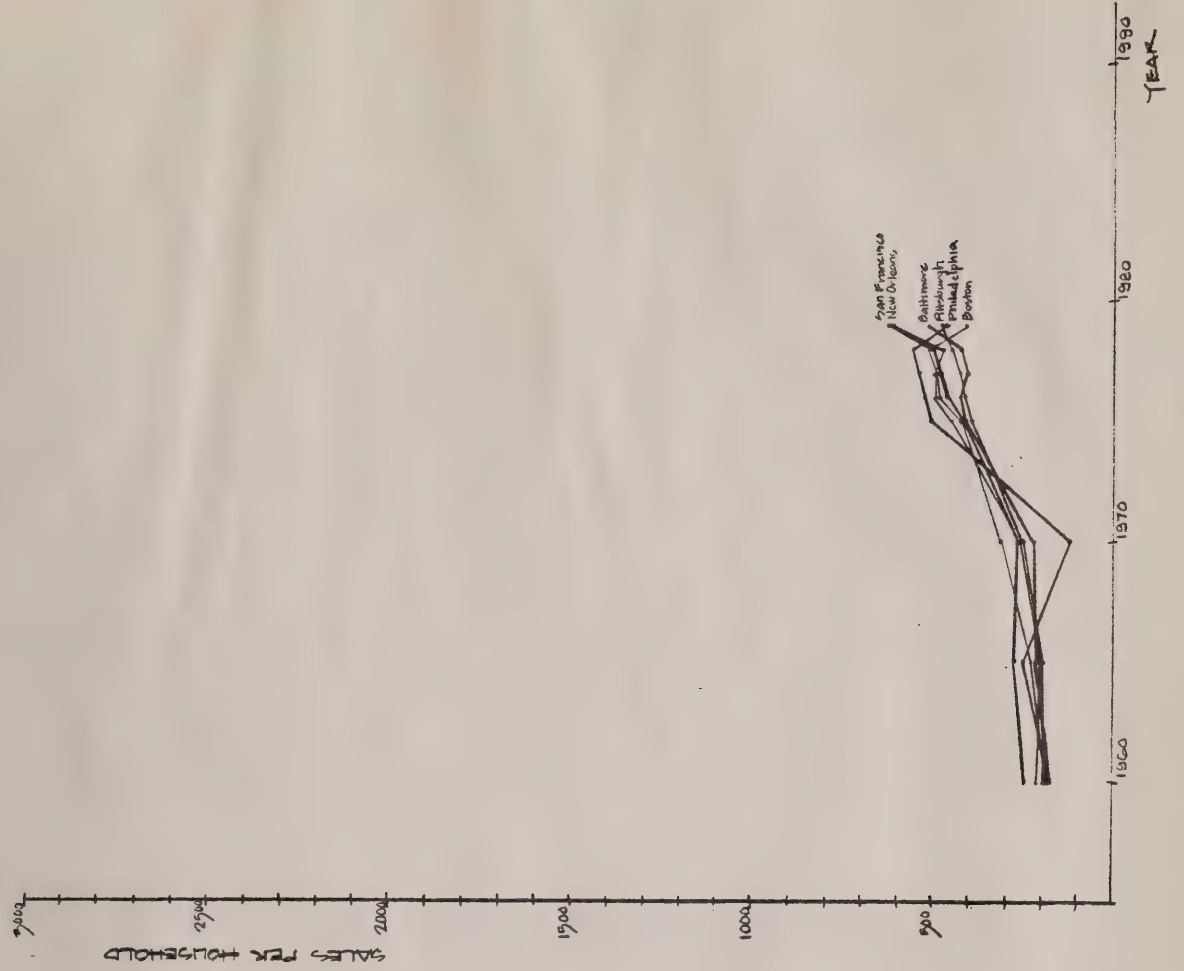
EATING & DRINKING PLACES
TOTAL SALES PER HOUSEHOLD - 6 EMSAs



FURNITURE STORES,
TOTAL SALES PER HOUSEHOLD - 6 Cities



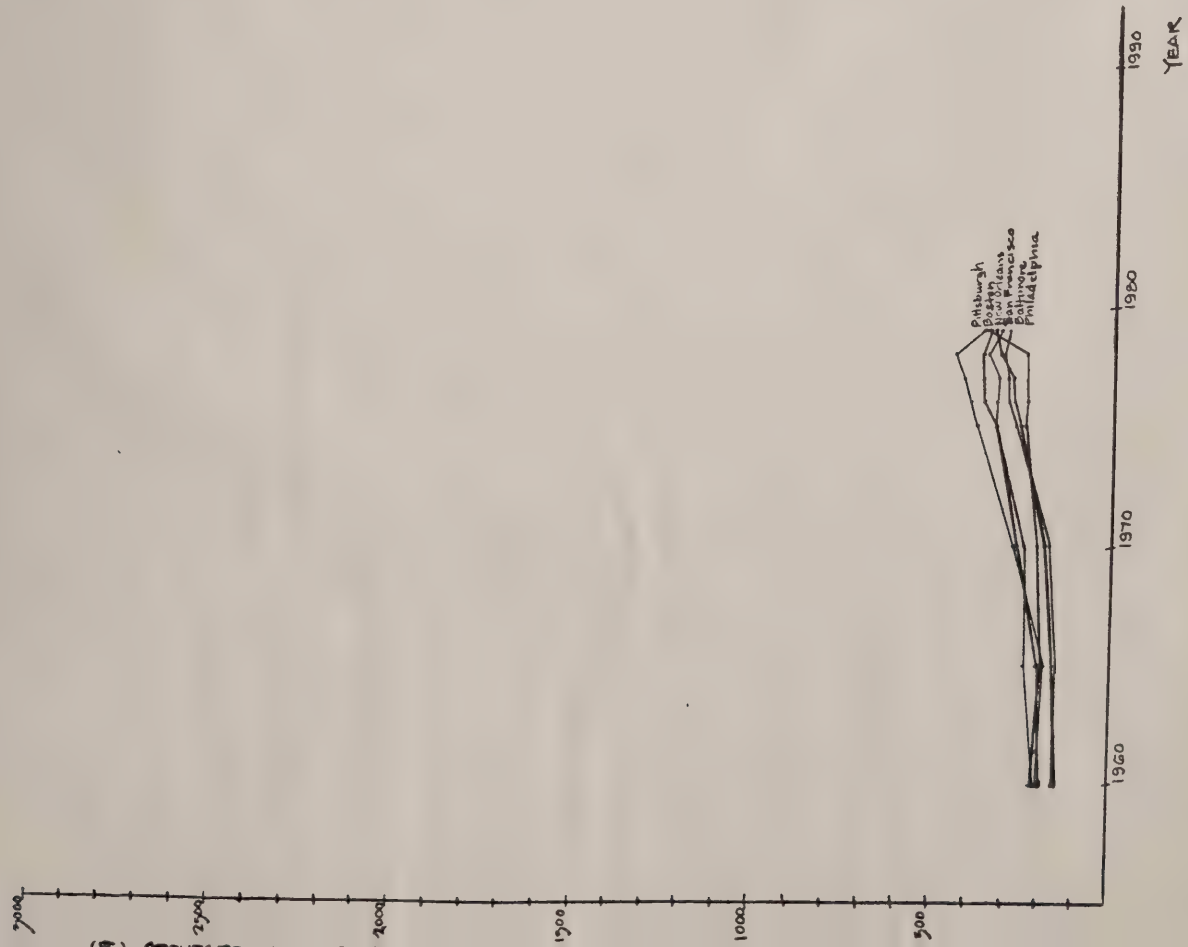
FURNITURE STORES,
TOTAL SALES PER HOUSEHOLD - 6 SMSAs



DRUG STORES
TOTAL SALES PER HOUSEHOLD

-

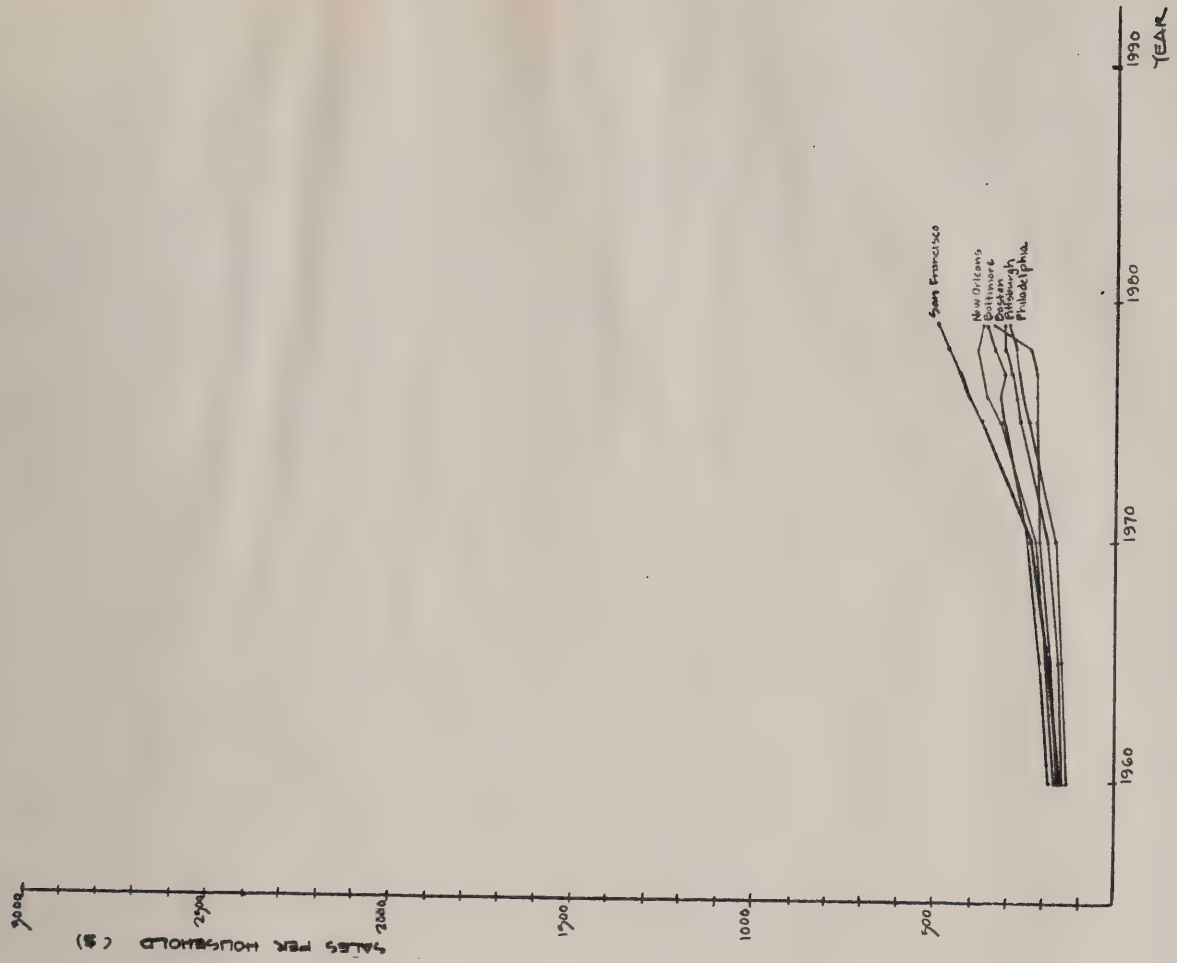
G Cities



DRUG STORES
TOTAL SALES PER HOUSEHOLD

-

6 SMSAs



NO COMPARABLE DATA
AVAILABLE

APPAREL STORES
TOTAL SALES PER HOUSEHOLD - G SMSAs

